

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5185-05  
Bill No.: Truly Agreed To and Finally Passed CCS #2 for HCS for SB 693  
Subject: Motor Vehicles; Taxation and Revenue - Sales and Use  
Type: Original  
Date: June 12, 2014

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Bill Summary: This proposal would make a number of changes to tax laws.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>                   |  |  |  |
|---|--|--|--|
| <b>FUND AFFECTED</b>  | <b>FY 2015</b>                         | <b>FY 2016</b>                         | <b>FY 2017</b>                         |
| General Revenue   | (Could exceed<br>\$15,449,358)         | (Could exceed<br>\$15,631,738)         | (Could exceed<br>\$15,631,738)         |
|   |  |  |  |
| <b>Total Estimated<br/>Net Effect on<br/>General Revenue<br/>Fund</b> | <b>(Could exceed<br/>\$15,449,358)</b> | <b>(Could exceed<br/>\$15,631,738)</b> | <b>(Could exceed<br/>\$15,631,738)</b> |

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 26 pages.

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>              |                                    |                                    |                                    |
|---|------------------------------------|------------------------------------|------------------------------------|
| <b>FUND AFFECTED</b>  | <b>FY 2015</b>                     | <b>FY 2016</b>                     | <b>FY 2017</b>                     |
| Other   | \$0 or (Unknown)                   | \$0 or (Unknown)                   | \$0 or (Unknown)                   |
| School District Trust   | (\$3,894,608)                      | (\$4,673,530)                      | (\$4,673,530)                      |
| Conservation Commission                                       | (\$955,486)                        | (\$1,146,583)                      | (\$1,146,583)                      |
| Parks, and Soil and Water                                     | (\$764,011)                        | (\$916,813)                        | (\$916,813)                        |
| State Road Bond   | (\$11,244,359)                     | (\$13,493,230)                     | (\$13,493,230)                     |
| State Transportation  | (\$299,930)                        | (\$359,916)                        | (\$359,916)                        |
| State Road  | (\$10,944,429)                     | (\$13,133,315)                     | (\$13,133,315)                     |
| <b>Total Estimated Net Effect on <u>Other</u> State Funds</b> | <b>(Could exceed \$28,102,823)</b> | <b>(Could exceed \$33,723,387)</b> | <b>(Could exceed \$33,723,387)</b> |

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2015</b> | <b>FY 2016</b> | <b>FY 2017</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 2015</b> | <b>FY 2016</b> | <b>FY 2017</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 2015</b>                             | <b>FY 2016</b>                             | <b>FY 2017</b>                             |
| <b>Local Government</b>                    | <b>Unknown to (More than \$14,803,048)</b> | <b>Unknown to (More than \$17,683,658)</b> | <b>Unknown to (More than \$17,683,658)</b> |

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 67.585, RSMo. - Clay County Recreation and Community Center

This provision would authorize a 0.5 percent sales tax in Clay county through the creation of a recreational and community center district to be used for new and existing community centers.

Officials from **Clay County** did not respond to our request for information on similar language in HB 2192 LR 6017-03.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would allow the Liberty School District to request voter approval for a 0.5-cent sales tax to fund the construction of a new community center. BAP officials noted the Department of Revenue (DOR) does not provide taxable sales data by school district, but stated most recent DOR report shows taxable sales for the City of Liberty were \$412.8 million in 2013. BAP officials estimated a 0.5-cent tax on those sales would generate \$2.1 million annually, but stated it is likely the boundaries of the school district differ from those of the City, and noted Total State Revenues would increase to the extent DOR retains a 1% collection fee on the additional sales tax revenues.

Officials from the **University of Missouri - Economic and Policy Analysis Research Center (EPARC)** assumed similar language in HB 2192 LR 6017-03 would, if enacted, authorize a .5 percent sales tax in Clay County through the creation of a recreational and community center district to be used for new and existing community centers. This 0.5 percent sales tax could not be imposed unless it is approved by Clay County voters. Since the 0.5 percent sales could not be imposed until it is approved by the voters of Clay County, the initial enactment of this bill would have no impact. However, if Clay County voters approve the sales tax it is anticipated that it would generate the same amount of revenue as their current county sales tax which is also imposed at a rate of 0.5 percent.

EPARC officials stated their records indicate the Clay County sales tax, imposed at 0.5 percent, generated an average of \$14,525,039.78 in collections over the last three years. EPARC officials assumed the sales tax authorized in this bill would generate identical collections if approved by Clay County voters.

ASSUMPTION (continued)

If the voters in the Clay County School District approve this proposed sales tax, the State of Missouri would retain 1% of revenues as a collection fee. Therefore, if the sales tax is approved by Clay County voters, the estimated impact on state revenues would be an increase of \$145,250 from the 1% collection fee.

Officials from the **Department of Revenue (DOR)** assume this provision would require computer programming changes to the sales tax program, and provided an estimate of the IT cost of \$4,586 for 168 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 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.

DOR officials did not include an estimate of administrative cost to implement this proposal, and **Oversight** assumes any administrative cost would be minimal and could be absorbed with existing resources.

**Oversight** notes this proposal would allow a sales tax to be levied at no more than 0.5%, and assumes this proposal would limit the sales tax to the area included in the school district boundaries and not the full county.

Therefore, **Oversight** will show the impact as \$0 (sales tax not implemented) or up to the estimate provided by BAP. If the sales tax is enacted, the Department of Revenue would receive a 1% collection fee. Oversight will show the impact to General Revenue of \$0 (sales tax not implemented) up to the estimate provided by BAP.

ASSUMPTION (continued)

Section 67.1367, RSMo. - Perry County Transient Guest Tax

This provision would authorize a transient guest tax in Perry County to fund the promotion of tourism.

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

Officials from **Perry County** did not respond to our request for information.

**Oversight** assumes this proposal is permissive in nature and would have no local fiscal impact without action by the governing body of Perry County and voter approval. Oversight notes this proposal would allow a tax rate up to 6% but does not have any information as to the tax base, and will indicate an impact of \$0 (tax not implemented) to Unknown for Local Governments.

Section 99.845, RSMo - Tax Increment Financing

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** noted this provision would exempt the sales tax for capital improvements for emergency communication systems from the tax increment financing fund allocation. BAP officials assume that provision would have no impact on state revenues.

Officials from the **Department of Economic Development - Division of Business and Community Services, St. Louis County, the City of Columbia, the City of Kansas City** and the **City of Jefferson** assumed there would be no fiscal impact to their organizations from similar language in HB 1504 LR 5461-01.

Officials from **Cole County** assumed no impact to their organization from similar language in HB 1504 LR 5461-01; however, county officials stated it is unclear whether this addition would apply to all counties or just that charter county with a population greater than 600,000 but less than 700,000. If it would apply to all counties, Cole County would have a small positive fiscal impact. For 2013, Cole County would have saved \$841 due to not paying Section 67.700 tax revenues. In the future, positive impact would likely improve because another TIF project is getting off the ground.

ASSUMPTION (continued)

Not responding

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, Joplin, 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 on similar language in HB 1504 LR 5461-01.

Officials from the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information on similar language in HB 1504 LR 5461-01.

**Oversight** assumes this provision relates to the allocation of tax revenues among local government organizations and would have no net fiscal impact to local governments or to the state.

Section 135.700, RSMo. - Wine and Grape Tax Credit:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** noted this provision would cap the Wine Producers and Grape Growers tax credit at \$200,000 annually. BAP officials assume this change would not result in savings to the state, as the three-year average amount authorized for this program is \$75,000. However, BAP officials noted this provision would also broaden the type of equipment purchases that qualify for the tax credit to include used equipment, whereas it currently only includes new equipment and assume that change could result in additional cost to the state of \$0 to \$125,000.

ASSUMPTION (continued)

**Oversight** notes this proposal places an annual cap of \$200,000 on this tax credit program which did not previously have a cap. Since the new cap is larger than the annual amount currently issued or redeemed, Oversight assumes the cap would not have a fiscal impact. The availability of tax credits for used equipment could result in more tax credits being issued, and Oversight will use the BAP estimate of fiscal impact for this provision. Oversight will include the impact beginning in FY 2016 when the first tax returns including the additional tax credits would be filed.

Section 137.133, RSMo. - Notice Requirement for St. Louis County Assessor:

Officials at **St. Louis County** assume this provision would require all correspondence from the Assessor requesting information from a taxpayer to contain a notice that providing such information is voluntary. The only exceptions to this would be the requirement to provide information on personal property.

Since there are other instances when taxpayer input is necessary, not obtaining it would likely result in inaccurate assessments. A loss of just 1% accuracy in assessment data would also result in a 1% loss of tax revenue. The total tax billings for all St. Louis County taxing jurisdiction in 2013 was \$1.98 billion. A 1% loss of revenue would equal \$19 million per year.

The administrative costs of this proposal are expected to require 1 FTE at \$50,000 and IT support estimated at \$25,000.

**Oversight** received no other responses to our request for information.

**Oversight** assumes the requirement could be met at minimal cost which could be absorbed by the Assessor's Office.

Section 143.451, RSMo. - Corporate Income Tax on Interstate Transactions:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would change the methodology for determining the portion of a corporation's income which is taxable in Missouri and assumes the change could have an unknown impact on Total State Revenue. BAP officials deferred to the Department of Revenue for an estimate of the impact.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** stated this language would modify how a corporation computes the portion of income from all sources which is taxable in Missouri.

Fiscal impact

DOR officials assume the new provisions would primarily apply to services and a Cost of Goods Sold at or below 50% would indicate a service business. The DOR estimate of impact for this provision was calculated by eliminating the portion of sales for corporations currently reported as "partially" in Missouri for those corporations based in Missouri which had a cost of sales percentage under 50%. DOR officials assumed those corporations were service businesses and their sales and would be reported as "outside" Missouri under the proposed language.

The DOR estimate indicated the loss to Total State Revenue could be \$15 million annually but DOR officials noted the proposed methodology could also be used by Limited Liability Corporations for individual pass-through income, and that possibility could result in additional revenue reductions. DOR officials did not provide an estimate of the potential revenue reduction for pass-through income.

DOR officials noted their calculation used information from 2011 because that is the last year for which the Department has the most complete information, and that corporations which would have paid additional taxes using the proposed methodology were excluded from the estimate.

Administrative Impact

DOR officials assume Corporate Tax would be required to make form changes and programming changes. In addition, Corporate Tax would require one additional Revenue Processing Technician I (Range 10, Step L) for every 7,800 of additional errors that are generated and one (1) Revenue Processing Technician I (Range 10, Step L) for every 2,600 pieces of additional correspondence that are generated.

The DOR estimate of cost to implement this proposal included two additional employees; with the related equipment and expenses, the estimate totaled \$80,066 for FY 2015, \$82,710 for FY 2016, and \$83,570 for FY 2017.

ASSUMPTION (continued)

**Oversight** notes this provision includes revised definitions to use in allocating the taxable income from multi-state transactions for Missouri corporations. Oversight does not have information regarding the number or amount of transactions which might be subject to those definitions; however, Oversight assumes virtually all corporate income tax returns are prepared by corporate officers or tax professionals and will assume for fiscal note purposes the proposal could be implemented with existing DOR resources. Oversight will indicate a reduction in income tax revenues up to the Department of Revenue estimate of \$15 million.

Section 144.030, RSMo. - Sales Tax Exemption on Motor Vehicles Over Ten Years Old and Valued at Less than \$15,000

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** noted this provision would provide that motor vehicles older than ten years are exempt from the sales tax on titling. BAP assumes this would reduce Total State Revenues, including those for schools. BAP officials noted the provision excludes vehicles with a sales price over \$15,000, and stated the Department of Revenue had estimated the provision would reduce Total State Revenue by \$33.5 million annually and assume that agency would provide additional details.

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.

ASSUMPTION (continued)

**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.

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          | \$937,162      | \$1,124,594    | \$1,124,594    |
| Soil & Water Fund          | \$374,675      | \$449,610      | \$449,610      |
| State Park Fund            | \$374,675      | \$449,610      | \$449,610      |
| State Road Bond Fund       | \$11,244,359   | \$13,493,230   | \$13,493,230   |
| State Transportation Fund  | \$299,930      | \$359,916      | \$359,916      |
| State Road Fund            | \$10,944,429   | \$13,133,315   | \$13,133,315   |
| School District Trust Fund | \$3,748,014    | \$4,497,617    | \$4,497,617    |
| <u>Local Governments</u>   |                |                |                |
| Cities                     | \$2,248,998    | \$2,698,798    | \$2,698,798    |
| Counties                   | \$1,499,332    | \$1,799,199    | \$1,799,199    |

ASSUMPTION (continued)

| <u>Projected Loss in Sales Tax<br/>(All-Terrain Vehicles)</u> | <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        |

DOR officials noted in 2013 there was \$19,666,991 in local sales tax collected on motor vehicles that were ten years old or older and sold for \$15,000 or less, and assume this proposal would result in a loss of that revenue to local taxing jurisdictions.

**Oversight** notes DOR has provided different estimates for the local government 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. Oversight will use the Department of Revenue estimate of \$19,666,991 in local government sales tax losses for this proposal in this fiscal note, and \$16,389,159 for ten months of FY 2015.

DOR officials also stated that delinquent fees currently total \$1,913,419 in uncollected local sales tax that the Department would otherwise attempt to assess and collect from the applicant, and DOR officials assume if this proposal were to pass the uncollected taxes would be waived, resulting in a potential loss to local taxing jurisdictions.

**Oversight** assumes a waiver of uncollected revenues would not be considered a loss to the state or local governments for fiscal note purposes since those accounts would be recognized as revenue when collected but are not currently 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** assumed a previous version of this proposal would have an unknown negative impact on their organization.

ASSUMPTION (continued)

In response to a previous version of this proposal, officials from **Pettis County** assumed 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.

In response to a previous version of this proposal, officials from the **City of Columbia** assumed this proposal would have a significant but unknown negative impact on sales tax revenues for their organization.

Officials from the **City of Kansas City** assume their organization would lose substantial amounts of sales and use tax revenue from the proposed sales tax exemption.

Officials from the **Francis Howell School District** and the **St. Louis County Directors of Elections** assumed a previous version of this proposal would have no fiscal impact on their organizations.

Section 144.044, RSMo. - Sales Tax Exemption for Used Manufactured Homes:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** noted this provision would exempt from sales tax, sales of "used" manufactured homes. BAP officials stated according to information provided by the MO Manufactured Housing Association, there were 696 "new" manufactured homes shipped to MO in 2012.

Based on other information provided by the MMHA, BAP officials estimated the retail value of these homes as \$43.5 million. BAP does not have additional data on the sales or resales of "used" manufactured homes.

Although the Department of Revenue had previously stated in response to similar language in other proposals there would be an unknown revenue reduction for this provision, BAP officials noted the Department of Revenue has stated this proposal would codify longstanding sales tax practice, so there would be no direct impact to Total State Revenues.

Officials from the **Department of Revenue** stated this provision would have no impact on their organization and no impact on Total State Revenue.

ASSUMPTION (continued)

Section 144.1030, RSMo. - Sales Tax Exemption for Certain Fees at a Multi-Use Arena:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** noted this provision would provide that the amount paid for right of first refusal for tickets at the Kansas City Sprint Center would be exempt from sales taxes. BAP officials assume this would reduce Total State Revenues, including those for schools, and stated the Department of Revenue had estimated the revenue reduction as \$0.7 million per year of which \$0.5 million would be due to the General Revenue Fund.

Officials from the **Department of Revenue (DOR)** assume the reduction in Total State Revenue for this provision would be approximately \$700,000 per year. DOR officials did not provide an estimate of administrative impact and assume any cost to implement this provision would be minimal and could be absorbed with existing resources.

Officials from the **City of Kansas City** assume their organization would lose substantial amounts of revenue from the proposed sales tax exemption.

ASSUMPTION (continued)

**Oversight** notes the implied sales from a \$500,000 revenue reduction for the General Revenue Fund would be  $(\$500,000 / .03) = \$16,666,667$  and has calculated the impact of the provision in the table below.

| Fund or entity  | Sales Tax Rate | Revenue Reduction for full year | Revenue reduction for ten months FY 2015 |
|---|----------------|---------------------------------|--|
| General Revenue   | 3.000%         | \$500,000                       | \$416,667                                |
| School District Trust   | 1.000%         | \$166,667                       | \$138,889                                |
| Conservation Commission   | 0.125%         | \$20,833                        | \$17,361                                 |
| Parks, and Soil and Water   | 0.100%         | \$16,667                        | \$13,889                                 |
| Local Governments *   | 3.700%         | \$616,667                       | \$513,889                                |
| * The local government sales tax rate is an average calculated by Oversight based on reported collections by the Department of Revenue. |                |                                 |  |

Sections 143.041, 143.071, 143.191, 144.610, 190.270 to 190.286, and 285.230 to 285.234, RSMo. - Facilitating Business Rapid Response to State Declared Disasters Act:

These provisions would provide an exemption from state income taxes, use taxes, registration requirements, and bonding requirements for out-of-state businesses operating in this state to assist in rebuilding infrastructure after an emergency or disaster declaration by the Office of the Governor or the President of the United States. Such business would be required to file a notice with the Secretary of State regarding this provision.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume these provisions would have no direct impact on Total State Revenues.

ASSUMPTION (continued)

Officials from the **Department of Revenue** assume these provisions would have no impact on their organization.

**Oversight** notes this provision would eliminate many current requirements for businesses which would temporarily have sales or service activity in the state. Although these sales and activities may be on a relatively short term basis, the exemptions in this proposal could result in revenue reductions to the state and to local governments including but not limited to lost sales and use taxes, income taxes on individuals and corporations, deposits and other forms of financial assurance for taxes and fees due, and permits and licenses.

**Oversight** notes that information from the Department of Public Safety - State Emergency Management Agency website indicated disasters were declared in eight of the past ten years; therefore, the revenue reductions noted above would be expected, but not every year.

**Oversight** has no information as to the amount of qualified expenditures nor the number of companies and persons from outside the state of Missouri which would be involved in disaster recovery efforts. Further, Oversight is not able to estimate the extent of new business entities which might be created in response to this proposal. Oversight notes those contractors and their employees would be exempted from a number of taxes, fees, and regulatory provisions by this proposal, and will assume for fiscal note purposes there would be a revenue reduction of \$0 or unknown to the General Revenue Fund and other state funds, and to local governments.

Bill as a whole responses

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 have no fiscal impact their organization.

Officials from the **Department of Natural Resources** provided a response that indicated no direct fiscal impact to their organization for this proposal, and deferred to the Department of Revenue for an estimate of the fiscal impact to sales tax funds for their departmental operations.

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.

| <u>FISCAL IMPACT - State Government</u>  | FY 2015<br>(10 Mo.)                           | FY 2016                                       | FY 2017                                       |
|--|---|---|---|
| <b>GENERAL REVENUE FUND</b>  |   |   |   |
| <u>Additional Revenue</u> - 1% collection fee<br>Section 67.585  | \$0 or Up to<br>\$21,000                      | \$0 or Up to<br>\$21,000                      | \$0 or Up to<br>\$21,000                      |
| Revenue reduction - Expansion of Wine<br>and Grape Producers Tax Credit<br>Section 135.700   | \$0   | \$0 to<br>(\$125,000)                         | \$0 to<br>(\$125,000)                         |
| <u>Revenue reduction</u> - allocation of<br>corporate interstate sales income<br>Section 143.451   | (Up to<br>\$15,000,000)                       | (Up to<br>\$15,000,000)                       | (Up to<br>\$15,000,000)                       |
| <u>Revenue reduction</u> - exemptions from<br>taxes, deposits, and other forms of<br>revenue from out-of-state businesses<br>Sections 190.270 to 190.286, etc. | \$0 or<br>(Unknown)                           | \$0 or<br>(Unknown)                           | \$0 or<br>(Unknown)                           |
| <u>Revenue reduction</u> - sales tax exemption<br>for right of first refusal fees at Sprint<br>Center<br>Section 144.1030                                      | (\$416,667)                                   | (\$500,000)                                   | (\$500,000)                                   |
| <u>Cost</u> - DOR<br>Computer programming for sales tax<br>exemptions<br>Section 144.030   | (\$30,576)                                    | \$0   | \$0   |
| <u>Revenue reduction</u> - sales tax exemption<br>on used ATV's<br>Section 144.030   | (\$23,115)                                    | (\$27,738)                                    | (\$27,738)                                    |
| <b>ESTIMATED NET EFFECT ON<br/>GENERAL REVENUE FUND</b>  | <b>(Could exceed<br/><u>\$15,449,358</u>)</b> | <b>(Could exceed<br/><u>\$15,631,738</u>)</b> | <b>(Could exceed<br/><u>\$15,631,738</u>)</b> |

| <u>FISCAL IMPACT - State Government</u><br>(Continued)  | FY 2015<br>(10 Mo.)            | FY 2016                        | FY 2017                        |
|---|--------------------------------|--------------------------------|--------------------------------|
| <b>OTHER STATE FUNDS</b>  |                                |                                |                                |
| <u>Revenue reduction</u> - exemptions from taxes, deposits, and other forms of revenue from out-of-state businesses Sections 190.270 to 190.286, etc. | \$0 or<br><u>(Unknown)</u>     | \$0 or<br><u>(Unknown)</u>     | \$0 or<br><u>(Unknown)</u>     |
| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>  | <b><u>\$0 or (Unknown)</u></b> | <b><u>\$0 or (Unknown)</u></b> | <b><u>\$0 or (Unknown)</u></b> |
| <b>SCHOOL DISTRICT TRUST FUND</b>   |                                |                                |                                |
| <u>Revenue reduction</u> - sales tax exemption for right of first refusal fees Section 144.1030   | (\$138,889)                    | (\$166,667)                    | (\$166,667)                    |
| <u>Revenue reduction</u> - DOR Sales tax on used vehicles Section 144.030   | (\$3,748,014)                  | (\$4,497,617)                  | (\$4,497,617)                  |
| <u>Revenue reduction</u> - DOR Sales tax on used ATV's Section 144.030  | <u>(\$7,705)</u>               | <u>(\$9,246)</u>               | <u>(\$9,246)</u>               |
| <b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>   | <b><u>(\$3,894,608)</u></b>    | <b><u>(\$4,673,530)</u></b>    | <b><u>(\$4,673,530)</u></b>    |

| <u>FISCAL IMPACT - State Government</u><br>(Continued)  | FY 2015<br>(10 Mo.)       | FY 2016                     | FY 2017                     |
|---|---------------------------|-----------------------------|-----------------------------|
| <b>CONSERVATION COMMISSION<br/>FUND</b>   |                           |                             |                             |
| <u>Revenue reduction</u> - sales tax exemption<br>for right of first refusal fees at Sprint<br>Center |                           |                             |                             |
| Section 144.1030  | (\$17,361)                | (\$20,833)                  | (\$20,833)                  |
| <u>Revenue reduction</u> - DOR<br>Sales tax on used vehicles  |                           |                             |                             |
| Section 144.030   | (\$937,162)               | (\$1,124,594)               | (\$1,124,594)               |
| <u>Revenue reduction</u> - DOR<br>Sales tax on used ATV's   |                           |                             |                             |
| Section 144.030   | <u>(\$963)</u>            | <u>(\$1,156)</u>            | <u>(\$1,156)</u>            |
| <b>ESTIMATED NET EFFECT ON<br/>CONSERVATION COMMISSION<br/>FUND</b>                                   | <b><u>(\$955,486)</u></b> | <b><u>(\$1,146,583)</u></b> | <b><u>(\$1,146,583)</u></b> |

| <u>FISCAL IMPACT - State Government</u><br>(Continued)  | FY 2015<br>(10 Mo.)          | FY 2016                      | FY 2017                      |
|---|------------------------------|------------------------------|------------------------------|
| <b>PARKS, AND SOIL AND WATER FUND</b>   |                              |                              |                              |
| <u>Revenue reduction - sales tax exemption for right of first refusal fees at Sprint Center</u> |                              |                              |                              |
| Section 144.1030  | (\$13,889)                   | (\$16,667)                   | (\$16,667)                   |
| <u>Revenue reduction - DOR</u>  |                              |                              |                              |
| Sales tax on used vehicles  |                              |                              |                              |
| Section 144.030   | (\$749,350)                  | (\$899,220)                  | (\$899,220)                  |
| <u>Revenue reduction - DOR</u>  |                              |                              |                              |
| Sales tax on used ATV's   |                              |                              |                              |
| Section 144.030   | <u>(\$772)</u>               | <u>(\$926)</u>               | <u>(\$926)</u>               |
| <b>ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND</b>                                   | <b><u>(\$764,011)</u></b>    | <b><u>(\$916,813)</u></b>    | <b><u>(\$916,813)</u></b>    |
| <b>STATE ROAD BOND FUND</b>   |                              |                              |                              |
| <u>Revenue reduction - DOR</u>  |                              |                              |                              |
| Sales tax on used vehicles  |                              |                              |                              |
| Section 144.030   | <u>(\$11,244,359)</u>        | <u>(\$13,493,230)</u>        | <u>(\$13,493,230)</u>        |
| <b>ESTIMATED NET EFFECT ON STATE ROAD BOND FUND</b>   | <b><u>(\$11,244,359)</u></b> | <b><u>(\$13,493,230)</u></b> | <b><u>(\$13,493,230)</u></b> |

| <u>FISCAL IMPACT - State Government</u><br>(Continued) | FY 2015<br>(10 Mo.)          | FY 2016                      | FY 2017                      |
|--|------------------------------|------------------------------|------------------------------|
| <b>STATE TRANSPORTATION FUND</b>                       |                              |                              |                              |
| <u>Revenue reduction - DOR</u>                         |                              |                              |                              |
| Sales tax on used vehicles                             |                              |                              |                              |
| Section 144.030  | <u>(\$299,930)</u>           | <u>(\$359,916)</u>           | <u>(\$359,916)</u>           |
| <b>ESTIMATED NET EFFECT ON<br/>TRANSPORTATION FUND</b> | <b><u>(\$299,930)</u></b>    | <b><u>(\$359,916)</u></b>    | <b><u>(\$359,916)</u></b>    |
| <b>STATE ROAD FUND</b>                                 |                              |                              |                              |
| <u>Revenue reduction - DOR</u>                         |                              |                              |                              |
| Sales tax on used vehicles                             |                              |                              |                              |
| Section 144.030  | <u>(\$10,944,429)</u>        | <u>(\$13,133,315)</u>        | <u>(\$13,133,315)</u>        |
| <b>ESTIMATED NET EFFECT ON<br/>STATE ROAD FUND</b>     | <b><u>(\$10,944,429)</u></b> | <b><u>(\$13,133,315)</u></b> | <b><u>(\$13,133,315)</u></b> |

| <u>FISCAL IMPACT - Local Government</u>   | FY 2015<br>(10 Mo.)                                       | FY 2016   | FY 2017   |
|---|---|---|---|
| <b>LOCAL GOVERNMENTS</b>  |   |   |   |
| <u>Additional Revenue</u> - Liberty School  |   |   |   |
| District recreation center sales and use tax<br>Section 67.585  | \$0 or Up to<br>\$2,100,000                               | \$0 or Up to<br>\$2,100,000                               | \$0 or Up to<br>\$2,100,000                               |
| <u>Additional revenue</u> - Perry County  |   |   |   |
| transient guest tax<br>Section 67.1367  | \$0 or Unknown  | \$0 or Unknown  | \$0 or Unknown  |
| <u>Revenue reduction</u> - sales tax exemption<br>for right of first refusal fees at Sprint<br>Center                     |   |   |   |
| Section 144.1030  | (\$513,889)   | (\$616,667)   | (\$616,667)   |
| <u>Revenue reduction</u> - exemptions from<br>taxes, deposits, and other forms of<br>revenue from out-of-state businesses |   |   |   |
| Sections 190.270 to 190.286, etc.   | \$0 or<br>(Unknown)                                       | \$0 or<br>(Unknown)                                       | \$0 or<br>(Unknown)                                       |
| <u>Revenue reduction</u> - Sales tax on used<br>vehicles  |   |   |   |
| Section 144.030   | (\$16,389,159)  | (\$19,166,991)  | <u>(\$19,166,991)</u>                                     |
| <b>ESTIMATED NET EFFECT ON<br/>LOCAL GOVERNMENTS</b>  | <b>Unknown to<br/>(More than<br/><u>\$14,803,048</u>)</b> | <b>Unknown to<br/>(More than<br/><u>\$17,683,658</u>)</b> | <b>Unknown to<br/>(More than<br/><u>\$17,683,658</u>)</b> |

### FISCAL IMPACT - Small Business

Provisions in this proposal could have a fiscal impact to a small business.

A small business which has interstate sales transactions could have an impact to the portion of its sales subject Missouri income tax.

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

### FISCAL DESCRIPTION

This proposal would changes the laws regarding taxation as follows.

The proposal would authorize, upon voter approval, the creation of a Recreational and Community Center District that includes only the area encompassed by the Liberty School District, and a sales tax not to exceed .5% on all retail sales made within the recreational and community center district for funding the construction, maintenance, operation, and purchase of equipment for community centers and other purposes of recreation and wellness as determined by the board.

The proposal would authorize Perry County to impose, upon voter approval, a transient guest tax of up to 6% per occupied room per night to be used solely for the promotion of tourism.

The proposal would exempt taxes imposed on sales for capital improvements in certain counties enacted after August 28, 2013, for the purpose of funding emergency communication systems from the provisions regarding tax increment financing local sales taxes.

The proposal would provide a cap of \$200,000 per year on the Wine and Grape Producers Tax Credit Program.

FISCAL DESCRIPTION (continued)

The proposal would require a specific notation on all correspondence by the St. Louis County Assessor with taxpayers.

The proposal would exempt out-of-state businesses responding to a declared disaster or emergency from state income and use taxes, and all state registration and bonding requirements. An out-of-state business operating in the state under these provisions would be required to notify the Secretary of State and would have a limited time to operate in the state under these provisions.

The proposal would change the method of allocating corporate income to Missouri for transactions involving more than one state.

The proposal would exempt from all state and local sales and use taxes any motor vehicle with a model year at least 10 years prior to the year in which the vehicle is being titled and with a value less than \$15,000.

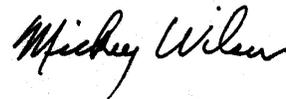
The proposal would exempt all used manufactured homes from sales tax.

The proposal would exempt from sales tax any fee for the right of first refusal to purchase or decline tickets for admission to events at the Sprint Center.

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  
City of Kansas City  
Francis Howell School District  
Special School District of St. Louis County  
St. Louis County Directors of Elections



Mickey Wilson, CPA  
Director  
June 12, 2014

Ross Strope  
Assistant Director  
June 12, 2014