

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1217-01  
Bill No.: HB 986  
Subject: Business and Commerce; Consumer Protection; Motor Vehicles  
Type: Original  
Date: May 7, 2001

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Highway Fund	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
<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 LOCAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Local Government</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Office of State Courts Administrator, Department of Economic Development**, and the **Department of Transportation** assume the proposed legislation would have no fiscal impact on their agencies.

Officials from the **Office of Attorney General** assume the costs of the proposed legislation could be absorbed within existing resources.

Officials from the **Department of Revenue (DOR)** assume the proposed legislation will have a minimal administrative impact on the Division of Taxation that can be absorbed within existing resources.

The revenue impact on the Division of Taxation is unknown because the DOR does not know the number of individuals that will apply for a refund as set by the criteria in this proposal. The provision for the refund of sales tax (Section 407.570) does not provide that the claim for refund be presented in a certain time frame or format. Arguably, the general refund provisions may apply in that regard but it would be clearer if it were included in this proposal. Today, these taxpayers have to meet the requirements for rescinding a sale to qualify for relief, but with this provision this will no longer be true for vehicles covered in this proposed legislation. Sales tax refunds may increase due to this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>HIGHWAY FUND</b>			
<u>Cost</u> – Department of Revenue	<b>\$0 to</b>	<b>\$0 to</b>	<b>\$0 to</b>
Refund of motor vehicle sales tax	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>POLITICAL SUBDIVISIONS</b>			
Cost - Refund of motor vehicle sales tax	<b><u>\$0 to</u></b> <b><u>(Unknown)</u></b>	<b><u>\$0 to</u></b> <b><u>(Unknown)</u></b>	<b><u>\$0 to</u></b> <b><u>(Unknown)</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposed legislation revises Missouri's Lemon Law:

The time period for conforming a vehicle to the expressed warranty under the Lemon Law will be during the term of the express warranty, 18 months following the date of delivery, or 18,000 miles whichever comes first. Currently, the time period is the term of the express warranty or one year from the delivery date, whichever comes first.

If a vehicle is not repaired, after a reasonable number of attempts, the manufacturer at the direction of the consumer may do one of the following:

- (1) Accept return of the vehicle and replace it with a comparable new motor vehicle and refund any collateral cost;
- (2) Accept return of the motor vehicle and refund to the consumer or holder of any perfected security interests the full purchase price plus sales tax and finance charges, less a reasonable allowance for use; or
- (3) In relation to a lessee, accept return of the motor vehicle, refund to the lessor or any holder of a perfected security interest the current value of the written lease and refund the amount the consumer paid under the written lease plus any sales tax and collateral cost, less a reasonable allowance for use.

To receive a new vehicle or refund, the consumer must offer to transfer title of the problem vehicle to the manufacturer. The manufacturer has 30 days to provide the consumer with a comparable new vehicle or refund. When a new vehicle or refund is provided, the consumer must return the problem vehicle, title, and all endorsements necessary to transfer title to the manufacturer.

The proposal establishes language providing for "adjustment programs." An adjustment program is an extended policy program which a manufacturer undertakes to pay for all or any part of the cost of repairing, or to reimburse the purchaser for all or any part of the cost of repairing, any condition that may substantially affect a motor vehicle's durability, reliability, or performance. Manufacturers will be required to:

DESCRIPTION (continued)

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- (1) Establish a procedure to inform the consumer of any adjustment program applicable to a new vehicle upon request and any documentation issued relating to any adjustment program;
- (2) Notify by first class mail any eligible consumer under an adjustment program of the terms and conditions of the adjustment program;
- (3) Notify dealers in writing of the terms and conditions of any adjustment program within 30 days after the adoption of a program; and
- (4) Establish and maintain a consumer information system by telephone hotline or interactive web site which provides access to all adjustment programs.

A dealer informed of any adjustment program will be required to disclose the terms of the program to any consumer seeking repairs for a condition covered by an adjustment program.

The proposal also:

- (1) Requires that no vehicle returned as a lemon in this state or any other state may be sold or leased in Missouri unless full disclosure is made to any prospective buyer or lessee;
- (2) Establishes a formula for determining reasonable allowance;
- (3) Contains sales tax refund procedure language;
- (4) Establishes presumption of nonconformity when a vehicle has been subject to repair 3 or more times and the nonconformity still exists or when a vehicle is out-of-service for repair for a cumulative total of 30 or more days. The current provision is 4 or more times for repair or 30 working days;
- (5) Amends double damages to any person who prevails in an action of any pecuniary loss due to a violation of the Lemon Law; and
- (6) Establishes reimbursement procedures in relation to adjustment programs.

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 State Courts Administrator  
Department of Transportation  
Department of Economic Development  
Office of Attorney General  
Department of Revenue



Jeanne Jarrett, CPA  
Director

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