

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2868-01  
Bill No.: HB 805  
Subject: Motor Vehicles; Taxation and Revenue - Sales and Use  
Type: Original  
Date: January 23, 2004

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$500,000 to Unknown)	(\$500,000 to Unknown)	(\$500,000 to Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$500,000 to UNKNOWN)</b>	<b>(\$500,000 to UNKNOWN)</b>	<b>(\$500,000 to UNKNOWN)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Various State Funds	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on Other State Funds*</b>	<b>(UNKNOWN)</b>	<b>(UNKNOWN)</b>	<b>(UNKNOWN)</b>

**\*Expected to exceed \$100,000 annually.**

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</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 LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Local Government*</b>	<b>(UNKNOWN)</b>	<b>(UNKNOWN)</b>	<b>(UNKNOWN)</b>

\*Expected to exceed \$100,000 annually.

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials of the **Office of Administration, Budget and Planning (BAP)** assume this proposal would provide a sales tax exemption for new motor vehicles and new watercraft assembled in Missouri. BAP states that DOR does not have the data required to estimate the impact of this proposal. BAP examined Census Bureau data from the "Census of Manufacturing" that deals with manufacturing "Value of Shipments" data by state. BAP assumes this data, however, is not adequate for estimating the impact of this bill. This bill would have no impact on BAP.

Officials of the **Department of Revenue (DOR)** assume this proposal would not fiscally impact their agency. This legislation adds an exemption from state and local sales and use tax to Section 144.030, RSMo for new motor vehicles and new watercraft assembled in the state of Missouri on or after January 1, 2005.

DOR is concerned regarding the wording change in Subsection 2(1). This language does not allow DOR to charge sales tax on diesel fuel as part of the refund process. Currently, we deduct the sales tax from special fuel excise tax refunds. There will be no major administrative impact, however, there will be a loss to the General Revenue Fund. The following sales tax amounts were deposited to GR for the past three fiscal years:

ASSUMPTION (continued)

2001 \$529,796.23  
 2002 \$576,022.82  
 2003 \$561,477.54

According to internet research, **Oversight** located two watercraft manufacturers in Missouri. One of the manufacturers has four locations in Missouri and produces an estimated 10,000 boats per year in a price range of \$6,000 to \$20,000. These boats are shipped throughout the U.S. for resale. No information is available for the other manufacturer. Also, three automakers have plants in Missouri.

**Oversight** assumes, for purposes of this fiscal note, this proposal would decrease sales/use tax collections from the sale of motor vehicles and watercraft. This amount is unknown, therefore **Oversight** will reflect the revenue impact of this proposal as a negative unknown to various state and local funds, expected to exceed \$100,000 annually. Also, **Oversight** will show the loss in revenue as a result of the change in the special fuel excise tax refund process.

**This legislation could decrease total state revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<b>GENERAL REVENUE FUND</b>			
<u>Loss - General Revenue</u>			
Reduction in sales tax on diesel fuel	(\$500,000)	(\$500,000)	(\$500,000)
Decrease in sales tax for new motor vehicles & watercraft manuf. in MO*	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>TOTAL ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS</b>	<b><u>(\$500,000 to UNKNOWN)</u></b>	<b><u>(\$500,000 to UNKNOWN)</u></b>	<b><u>(\$500,000 to UNKNOWN)</u></b>

\*Expected to exceed \$100,000 annually.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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**VARIOUS STATE FUNDS**

Loss - Various State Funds

Decrease in sales tax for new motor vehicles & watercraft manuf. in MO	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>TOTAL ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS*</b>	<b><u>(UNKNOWN)</u></b>	<b><u>(UNKNOWN)</u></b>	<b><u>(UNKNOWN)</u></b>
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**\*Expected to exceed \$100,000 annually.**

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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**VARIOUS LOCAL FUNDS**

Loss - Various Local Funds

Decrease in sales tax for new motor vehicles & watercraft manuf. in MO	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>TOTAL ESTIMATED NET EFFECT ON VARIOUS LOCAL FUNDS*</b>	<b><u>(UNKNOWN)</u></b>	<b><u>(UNKNOWN)</u></b>	<b><u>(UNKNOWN)</u></b>
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**\*Expected to exceed \$100,000 annually.**

FISCAL IMPACT - Small Business

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

DESCRIPTION

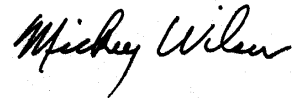
This proposal exempts from state and local sales and use taxes all sales of new motor vehicles and new watercraft assembled in Missouri on or after January 1, 2005.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

KS:LR:OD (12/02)

SOURCES OF INFORMATION

Department of Revenue  
Office of Administration  
Division of Budget and Planning

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
January 23, 2004