

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1049-01
Bill No.: HB 532
Subject: Motor Vehicles; Revenue Dept.; Taxation and Revenue – General; Taxation and Revenue - Sales and Use
Type: Original
Date: March 1, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(\$2,437,500)	(\$3,250,000)	(\$1,625,000)
Total Estimated Net Effect on General Revenue Fund	(\$2,437,500)	(\$3,250,000)	(\$1,625,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Various State Funds	(\$4,062,500)	(\$8,125,000)	(\$9,750,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$4,062,500)	(\$8,125,000)	(\$9,750,000)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	(\$812,500)	(\$1,625,000)	(\$1,625,000)

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 assembled and sold in Missouri. BAP defers to DOR to estimate the impact of this proposal, but assumes it would result in a reduction of revenue to General Revenue and the Highway Fund. This bill would have no impact on BAP.

Official with the **Department of Transportation (MoDOT)** assume this proposal would result in a negative fiscal impact exceeding \$100,000, but defers to DOR for an actual estimate.

MoDOT assumes that under Amendment 3, beginning in FY06 and for the next three succeeding fiscal years, proceeds from the motor vehicle sales tax that previously were deposited in the General Revenue Fund will be deposited in the State Road Bond Fund increasing in 25% increments until all of the proceeds previously deposited in the General Revenue Fund are deposited in the State Road Bond Fund. MoDOT assumes that exempting a portion of purchased motor vehicles from sales tax would have a significant negative fiscal impact on the State Road Bond Fund in future fiscal years.

Officials of the **Department of Revenue (DOR)** assume its Division of Taxation would have programming costs associated with the implementation of this proposal. However, DOR

ASSUMPTION (continued)

believes it can manage these costs at current appropriation levels unless there is a material change in its other responsibilities. DOR assumes this legislation adds an exemption from state sales and use tax to Section 144.030, RSMo for new motor vehicles assembled and sold in the state of Missouri on or after January 1, 2006.

DOR states that from September 1, 2003, to August 31, 2004, there were 20,767 vehicles that were manufactured in Missouri and registered as new vehicles in Missouri. The net tax paid on those vehicles was \$13,051,263.

Oversight assumes that sales of new motor vehicles manufactured in Missouri will be relatively stable over the date scope of this fiscal note. **Oversight** further assumes, for purposes of this fiscal note, this proposal would decrease sales/use tax collections from the sale of motor vehicles by \$13 million per year. The fiscal impact of this proposal could increase, should sales of such vehicles markedly increase as result of this act; conversely, it could decrease, should one or more automakers cease manufacturing in Missouri.

Oversight assumes that this proposal would become effective on January 1, 2006, and that it would not affect local sales and use taxes in place. However, the reduction in state sales/use tax collections would impact percentages of state motor vehicle sales tax revenues forwarded to cities and counties pursuant to Article IV, Section 30(b) of the Missouri Constitution..

This legislation could decrease total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (6 Mo.)	FY 2007	FY 2008
GENERAL REVENUE FUND			
<u>Loss - General Revenue</u>			
Decrease in sales tax for new motor vehicles manuf. in MO	<u>(\$2,437,500)</u>	<u>(\$3,250,000)</u>	<u>(\$1,625,000)</u>
TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$2,437,500)</u>	<u>(\$3,250,000)</u>	<u>(\$1,625,000)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
VARIOUS STATE FUNDS			
<u>Loss - Various State Funds</u>			
Decrease in sales tax for new motor vehicles manuf. in MO	<u>(\$4,062,500)</u>	<u>(\$8,125,000)</u>	<u>(\$9,750,000)</u>
TOTAL ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS	<u>(\$4,062,500)</u>	<u>(\$8,125,000)</u>	<u>(\$9,750,000)</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2006 (10 Mo.)	 FY 2007	 FY 2008
VARIOUS LOCAL FUNDS			
<u>Loss - Various Local Funds</u>			
Decrease in sales tax for new motor vehicles manuf. in MO	<u>(\$812,500)</u>	<u>(\$1,625,000)</u>	<u>(\$1,625,000)</u>
TOTAL ESTIMATED NET EFFECT ON VARIOUS LOCAL FUNDS	<u>(\$812,500)</u>	<u>(\$1,625,000)</u>	<u>(\$1,625,000)</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This bill exempts all motor vehicles assembled and sold in Missouri from the state sales and use tax. Local sales and use taxes will continue to be collected.

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

L.R. No. 1049-01
Bill No. HB 532
Page 5 of 5
March 1, 2005

SOURCES OF INFORMATION

Department of Revenue
Department of Transportation
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
March 1, 2005