

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3762-01
Bill No.: HB 1249
Subject: Motor Vehicles; Department of Revenue; Taxation and Revenue
Type: Corrected#
Date: February 1, 2006
Corrected to reflect state portion of loss of taxes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue#	(\$1,297,148) to (Unknown)	(\$1,297,148) to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on General Revenue Fund#	(\$1,297,148) to (Unknown)	(\$1,297,148) to (Unknown)	\$0 to (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Highway#	(\$1,297,148)	(\$3,891,443)	(\$5,188,591)
Various State Funds#	(\$1,018,929) to (Unknown)	(\$2,067,859) to (Unknown)	(\$2,037,859) to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds#	(\$2,316,077) to (Unknown)	(\$5,959,302) to (Unknown)	(\$7,226,450) to (Unknown)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government#	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration (COA)** assume the proposal would have no impact on Office of Administration/Budget and Planning, but will result in a reduction in General Revenue. COA has no information to estimate energy consumption in motor vehicle manufacture, but defer to the DOR for an estimate of the impact of the sales tax exemption.

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 proposal for Administrative Rules is less than \$1,500. The SOS recognizes this is a small amount and does not expect additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed in a given year and that collectively the costs may be in excess of what the SOS can sustain with their core budget. Any additional required funding would be handled through the budget process.

ASSUMPTION (continued)

Officials from the **Department of Transportation (MoDOT)** assume the legislation would exempt motor vehicles manufactured in Missouri from sales tax. MoDOT assumes there would be a negative fiscal impact to revenue over \$100,000, however MoDOT is unable to provide the estimate. MoDOT will rely upon DOR for the fiscal impact of this legislation.

Officials from the **Department of Revenue (DOR)** assume the legislation adds language stating it shall be presumed that all raw materials used primarily in the manufacturing of automobiles contains 25% recovered materials. It also creates a new section (Section 144.051) exempting new motor vehicles from sales tax, when the vehicle has been assembled and sold in Missouri, after January 1, 2007.

The change to Section 144.030.12 will cause an unknown reduction on state revenues while the exemption provided in Section 144.051 would cause a loss of \$13,139,000 of state and local taxes on 21,850 vehicles.

The exemption on new motor vehicles assembled and sold in Missouri is exempt from state and local tax, if the political subdivision enacts the exemption by order or ordinance. As this legislation is currently worded, Taxation is anticipating a minimal impact.

Oversight assumes the state portion of the \$13,139,000 loss of state and local taxes would be 55 percent of the total loss, or \$7,226,450. **Oversight** assumes the General Revenue portion of this loss would be reduced by 25 percent per fiscal year and diverted to the Highway Fund, pursuant to the provisions in Amendment A.

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 the modification of the sales tax exemption for electricity used in manufacturing would result in a significant negative fiscal impact on state revenues. **Oversight** is unable to estimate the amount of a such a loss, but presumes it to exceed \$100,000.

ASSUMPTION (continued)

Oversight assumes that the impact on sales taxes from this proposal would become effective on January 1, 2007, 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 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE FUND#			
<u>Losses – General Revenue#</u>			
Decrease in sales tax for new motor vehicles manuf. in MO#	(\$1,297,148)	(\$1,297,148)	\$0
Decrease in sales tax for electricity used in manuf.	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND#	<u>(\$1,297,148) to (Unknown)</u>	<u>(\$1,297,148) to (Unknown)</u>	<u>\$0 to (Unknown)</u>
HIGHWAY FUND#			
<u>Losses – Highway Fund#</u>			
Decrease in sales tax for new motor vehicles manuf. in MO#	(\$1,297,148)	(\$3,891,443)	(\$5,188,591)
ESTIMATED NET EFFECT ON HIGHWAY FUND#	<u>(\$1,297,148)</u>	<u>(\$3,891,443)</u>	<u>(\$5,188,591)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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VARIOUS STATE FUNDS

Losses – Various State Funds

Decrease in sales tax for new motor vehicles manuf. in MO#	(\$1,018,929)	(\$2,037,859)	(\$2,037,859)
Decrease in sales tax for electricity used in manuf.	(Unknown)	(Unknown)	(Unknown)

TOTAL ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS	<u>(\$1,018,929) to (Unknown)</u>	<u>(\$2,037,859) to (Unknown)</u>	<u>(\$2,037,859) to (Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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VARIOUS LOCAL FUNDS

Loss – Various Local Funds#

Decrease in sales tax for new motor vehicles manuf. in MO#	\$0	\$0	\$0
Decrease in sales tax for electricity used in manuf.	(Unknown)	(Unknown)	(Unknown)

TOTAL ESTIMATED NET EFFECT ON VARIOUS LOCAL FUNDS#	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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FISCAL IMPACT - Small Business

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

DESCRIPTION

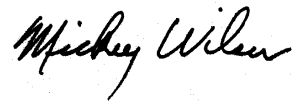
The proposed legislation exempts all motor vehicles assembled and sold in Missouri from the state sales and use tax. Local sales and use taxes will continue to be collected.

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

RAS:LR:OD (12/02)

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
 – Division of Budget and Planning
Department of Transportation
Office of the Secretary of State

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

Mickey Wilson, CPA
Director
February 1, 2006