

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1176-01
Bill No.: HB 448
Subject: Motor Vehicles; Revenue Dept.; Taxation and Revenue - Sales and Use
Type: Original
Date: February 20, 2007

Bill Summary: Would exempt all motor vehicles assembled and sold in this state from the state sales and use tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue *	(Less than \$1,225,017 to Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund *	(Less than \$1,225,017 to Unknown)	(Unknown)	(Unknown)

* Unknown expected to exceed \$100,000.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Conservation Commission *	(Less than \$163,587 to Unknown)	(Less than \$327,173 to Unknown)	(Less than \$327,173 to Unknown)
Park and Soils *	(Less than \$130,817 to Unknown)	(Less than \$261,634 to Unknown)	(Less than \$261,634 to Unknown)
School District Trust *	(Less than \$793,472 to Unknown)	(Less than \$1,586,944 to Unknown)	(Less than \$1,586,944 to Unknown)
Road *	(Less than \$1,503,968 to Unknown)	Less than (\$3,007,936 to Unknown)	Less than (\$3,007,936 to Unknown)
Road Bond *	(Less than \$1,158,877 to Unknown)	(Less than \$4,760,919 to Unknown)	(Less than \$4,760,919 to Unknown)
Transportation *	(Less than \$41,216 to Unknown)	(Less than \$82,432 to Unknown)	(Less than \$82,432 to Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds *	(Less than \$3,791,937 to Unknown)	(Less than \$10,027,038 to Unknown)	(Less than \$10,027,038 to Unknown)

* Unknown expected to exceed \$100,000.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

☐ 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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government *	(Less than \$515,090 to Unknown)	(Less than \$1,030,180 to Unknown)	(Less than \$1,030,180 to Unknown)

* Unknown expected to exceed \$100,000.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development** assume this proposal would have no fiscal impact on their organization.

Officials from the **Department of Conservation** (MDC) assume the proposal would result in a negative fiscal impact on MDC funds since it appears to exempt motor vehicles manufactured in Missouri fro sales tax. MDC officials stated they were unable to provide the estimated amount and will rely on the Department of Revenue for the fiscal impact of the proposal.

ASSUMPTION (continued)

Officials from the **Department of Natural Resources** (DNR) assume this proposal would exempt all motor vehicles assembled and sold in Missouri from the state sales and use tax. DNR officials stated that the Parks and Soils Tax Fund is derived from a one-tenth of one percent sales and use tax pursuant to Section 47(a) of the Missouri Constitution. Therefore, any additional sales and use tax exemption would appear to be a loss to the Parks and Sales Tax Fund. It is unknown how many motor vehicles are both assembled and sold in Missouri that would qualify for this tax exemption; however, the department would not anticipate a significant fiscal impact from this proposal.

Officials from **St. Louis County** (SLC) assumed the proposal would cause a loss of funds to their organization. SLC currently receives approximately \$1.8 million per year in motor vehicle sales taxes; officials were not able to determine the percentage of vehicle sales from vehicles assembled in Missouri.

Officials from the **City of Centralia** assumed the proposal would cause an unknown reduction in sales tax revenues to their organization. The city currently receives \$46,000 per year in vehicle sales taxes; officials could not determine the percentage of vehicles assembled in Missouri.

Officials from the **City of Kansas City** estimated the proposal would lead to a reduction of sales tax revenues of approximately \$135,000 per year.

Officials from the **University of Missouri, Economic and Policy Analysis Research Center** stated they were not able to prepare an estimate of lost revenue which would result if this proposal was enacted.

Officials from the **Department of Revenue** (DOR) assume this proposal would provide an exemption from state sales taxes exempt new motor vehicles from state sales and use tax, when the vehicle has been assembled and sold in Missouri after January 1, 2008. This proposal would also allow political subdivisions to exempt these same vehicles from local sales/use taxes by order or ordinance.

The DOR General Registration System indicates there were 11,979 new vehicles that were assembled in Missouri and sold by Missouri dealers during FY'06, accounting for \$8,704,525 in state sales tax. In addition, there were 12,283 new ATV's sold by Missouri dealers accounting for \$2,352,691 in state sales tax. DOR does not have information on how many of these units were assembled in Missouri, therefore the overall net revenue impact is unknown.

ASSUMPTION (continued)

DOR provided a summary of the maximum sales tax revenue reduction assuming all the ATV's were assembled in Missouri, totaling \$11,057,218. DOR also assumed a reduction in administrative cost of \$3,435 from this exemption.

Oversight assumes that sales of new motor vehicles manufactured in Missouri would be relatively stable over the date scope of this fiscal note. Oversight has used the DOR estimate of revenue reductions as the maximum reduction since Oversight assumes, for purposes of this fiscal note, that not all ATV's sold in Missouri would be assembled in Missouri. 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 assumes it would exceed \$100,000 per year.

Officials from the **Office of Administration, Division of Budget and Planning** did not respond to our request for information.

This legislation would decrease Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE FUND			
<u>Losses – General Revenue</u>			
Decrease in sales tax for new motor vehicles manufactured in MO	(Less than \$1,225,017)	\$0	\$0
Decrease in sales tax for electricity used in manufacturing *	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND *	<u>(Less than</u> <u>\$1,225,017 to</u> <u>Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

* Unknown expected to exceed \$100,000.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
ROAD FUND			
<u>Losses –</u>			
Decrease in sales tax for new motor vehicles manufactured in MO	(Less than \$1,503,968)	(Less than \$3,007,936)	(Less than \$3,007,936)
Decrease in sales tax for electricity used in manufacturing *	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON ROAD FUND	<u>(Less than \$1,503,968 to Unknown)</u>	<u>(Less than \$3,007,936 to Unknown)</u>	<u>(Less than \$3,007,936 to Unknown)</u>
STATE ROAD BOND FUND			
<u>Losses –</u>			
Decrease in sales tax for new motor vehicles manufactured in MO	(Less than \$1,158,877)	(Less than \$4,760,919)	(Less than \$4,760,919)
Decrease in sales tax for electricity used in manufacturing *	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON STATE ROAD BOND FUND	<u>(Less than \$1,158,877 to Unknown)</u>	<u>(Less than \$4,760,919 to Unknown)</u>	<u>(Less than \$4,760,919 to Unknown)</u>
STATE TRANSPORTATION FUND			
<u>Losses –</u>			
Decrease in sales tax for new motor vehicles manufactured in MO	(Less than \$41,216)	(Less than \$82,432)	(Less than \$82,432)
Decrease in sales tax for electricity used in manufacturing *	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON STATE TRANSPORTATION FUND	<u>(Less than \$41,216 to Unknown)</u>	<u>(Less than \$82,432 to Unknown)</u>	<u>(Less than \$82,432 to Unknown)</u>

FISCAL IMPACT - State Government

FY 2008
 (10 Mo.)

FY 2009

**CONSERVATION COMMISSION
 FUND**

Losses –

Decrease in sales tax for new motor vehicles manufactured in MO	(Less than \$163,587)	(Less than \$327,173)	(Less than \$327,173)
Decrease in sales tax for electricity used in manufacturing *	(Unknown)	(Unknown)	(Unknown)

**ESTIMATED NET EFFECT ON
 CONSERVATION COMMISSION
 FUND**

<u>(Less than \$163,587 to Unknown)</u>	<u>(Less than \$327,173 to Unknown)</u>	<u>(Less than \$327,173 to Unknown)</u>
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PARKS AND SOILS FUND

Losses –

Decrease in sales tax for new motor vehicles manufactured in MO	(Less than \$130,817)	(Less than \$261,634)	(Less than \$261,634)
Decrease in sales tax for electricity used in manufacturing *	(Unknown)	(Unknown)	(Unknown)

**ESTIMATED NET EFFECT ON
 PARKS AND SOILS FUND**

<u>(Less than \$130,817 to Unknown)</u>	<u>(Less than \$261,634 to Unknown)</u>	<u>(Less than \$261,634 to Unknown)</u>
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SCHOOL DISTRICT TRUST FUND

Losses –

Decrease in sales tax for new motor vehicles manufactured in MO	(Less than \$793,472)	(Less than \$1,586,944)	(Less than \$1,586,944)
Decrease in sales tax for electricity used in manufacturing *	(Unknown)	(Unknown)	(Unknown)

**ESTIMATED NET EFFECT ON
 SCHOOL DISTRICT TRUST FUND**

<u>(Less than \$793,472 to Unknown)</u>	<u>(Less than \$1,586,944 to Unknown)</u>	<u>(Less than \$1,586,944 to Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
LOCAL GOVERNMENTS			
<u>Losses –</u>			
Decrease in sales tax for new motor vehicles manufactured in MO	(Less than \$515,090)	(Less than \$1,030,180)	(Less than \$1,030,180)
Decrease in sales tax for electricity used in manufacturing *	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS *	<u>(Less than \$515,090 to Unknown)</u>	<u>(Less than \$1,030,180 to Unknown)</u>	<u>(Less than \$1,030,180 to Unknown)</u>

* Unknown expected to exceed \$100,000.

FISCAL IMPACT - Small Business

This proposal would have a fiscal impact to small businesses which are involved in manufacturing or vehicle sales.

FISCAL DESCRIPTION

This proposal would exempt all motor vehicles assembled and sold in this state from the state sales and use tax.

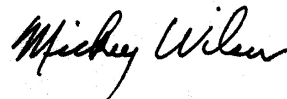
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Conservation
Department of Economic Development
Department of Natural Resources
Department of Revenue
St. Louis County
City of Centralia
City of Kansas City
University of Missouri
Economic and Policy Analysis Research Center

NOT RESPONDING

Office of Administration
Division of Budget and Planning



Mickey Wilson, CPA
Director
February 19, 2007