

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0073-01
Bill No.: HB 36
Subject: Agriculture and Animals, Taxation and Revenue - Sales and Use, Revenue Dept.
Type: Original
Date: January 24, 2011

Bill Summary: Would provide a "farm machinery and equipment" sales tax exemption for certain all-terrain vehicles.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on General Revenue Fund	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
Parks, and Soil and Water	(Unknown)	(Unknown)	(Unknown)
School District Trust	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 2012	FY 2013	FY 2014
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would not result in additional costs or savings to their organization.

BAP officials stated that the **Department of Revenue** reported 19,925 ATV's titled in FY 2010 with a total of \$1,747,696 in sales tax paid. It is unknown how many of these may have been for agricultural purposes. Therefore, this proposal could reduce general and total state revenues and local revenues up to that amount. Approximately 70% of this total would impact general revenues.

Officials from the **Department of Conservation** (MDC) assume this proposal would have an unknown negative fiscal impact to their organization due to the loss of Conservation Sales Tax revenues.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education** assume this proposal would have no fiscal impact on their organization but would have a negative impact on the sales tax revenues of the state and of local governments.

Officials from the **Department of Revenue** (DOR) assume this proposal would exempt any all-terrain vehicle (ATV) as "farm machinery and equipment" from sales tax. In order to qualify, the ATV could only be used for agricultural purposes, and the proposal would require the title to be stamped "For Farm Use Only."

According to DOR officials, the Motor Vehicle Bureau would need to have certain procedures revised by a Management Analyst Specialist I, requiring 40 hours of overtime at a cost of \$805 in FY 12. The DOR web site would also need to be updated, which would require 10 hours of overtime for an Administrative Analyst III, at a cost of \$218 in FY 12.

Because DOR does not currently issue titles for ATV's marked "For Farm Use Only" DOR has no statistics for ATV's purchased and titled specifically for farm use.

Oversight assumes that DOR could implement this proposal with existing resources. If unanticipated costs are incurred or if multiple proposal are passed which increase the DOR workload, resources could be requested through the budget process.

Officials from the **Department of Natural Resources** (DNR) assume this proposal would authorize a state and local sales and use tax exemption for all-terrain vehicles used solely for agricultural purposes. Exempting such vehicles from state sales tax would result in a negative effect on total state revenue. In addition, DNR officials assume this proposed exemption would result in a loss to the Parks and Soils Sales Tax Funds, and to Conservation Funds.

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

Officials from **Cass County** assume this proposal would have a negative fiscal impact on their organization ranging from \$1,000 to Unkown.

Officials from **St. Louis County** assume this proposal would not have an impact on property tax revenues but there could be a reduction in sales tax revenues.

ASSUMPTION (continued)

Officials from the **City of Kansas City** (KC) assume this proposal would have a minimal but unknown negative fiscal impact on their organization. KC officials stated that they were unable to determine the financial impact because the city does not have access to relevant DOR records.

Officials from the **City of West Plains** assume there could be a reduction of sales tax revenues if this proposal was implemented.

Oversight will indicate a reduction of revenues greater than \$100,000 for the state General Revenue Fund, an unknown revenue reduction for those other state funds which receive sales tax revenues, and an unknown revenue reduction for local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND			
<u>Revenue reduction - sales tax exemptions</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue reduction - sales tax exemptions</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - State Government</u>	<u>FY 2012</u> <u>(10 Mo.)</u>	<u>FY 2013</u>	<u>FY 2014</u>
PARKS, AND SOIL AND WATER FUNDS			
<u>Revenue reduction</u> - sales tax exemptions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction</u> - sales tax exemptions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2012 (10 Mo.)	 FY 2013	 FY 2014
LOCAL GOVERNMENTS			
<u>Revenue reduction</u> - sales tax exemptions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
 <u>FISCAL IMPACT - Small Business</u>			

This proposal would have a direct fiscal impact to small businesses engaged in farming or the sale of eligible all-terrain vehicles.

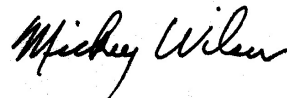
FISCAL DESCRIPTION

This proposal would provide a "farm machinery and equipment" sales tax exemption for certain all-terrain vehicles.

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 elementary and Secondary Education
Department of Natural Resources
Department of Revenue
Department of Transportation
Cass County
City of Kansas City
St. Louis County
City of West Plains



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Director
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