

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5290-01  
Bill No.: HB 1387  
Subject: Motor Vehicles; Taxation and Revenue - Sales and Use  
Type: Original  
Date: March 10, 2014

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Bill Summary: This proposal would exempt from sales and use tax all motor vehicles older than ten years.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
General Revenue	(Less than \$964,807)	(Less than \$1,121,077)	(Less than \$1,121,077)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Less than \$964,807)</b>	<b>(Less than \$1,121,077)</b>	<b>(Less than \$1,121,077)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 12 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
School District Trust	(Less than \$4,012,474)	(Less than \$4,814,969)	(Less than \$4,814,969)
Conservation Commission	(Less than \$1,002,324)	(Less than \$1,202,790)	(Less than \$1,202,790)
Parks, and Soil and Water	(Less than \$801,456)	(Less than \$961,746)	(Less than \$961,746)
Road	(Less than \$11,694,169)	(Less than \$14,033,002)	(Less than \$14,033,002)
Transportation	(Less than \$320,476)	(Less than \$384,572)	(Less than \$384,572)
Road Bond	(Less than \$12,014,645)	(Less than \$14,417,574)	(Less than \$14,417,574)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Less than \$29,845,544)</b>	<b>(Less than \$35,814,653)</b>	<b>(Less than \$35,814,653)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</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 FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- ☐ 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government</b>	<b>(Less than \$23,028,900)</b>	<b>(Less than \$27,634,679)</b>	<b>(Less than \$27,634,679)</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

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 fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

ASSUMPTION (continued)

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would exempt motor vehicles older than ten years from the sales tax on titling. BAP officials assume this would reduce state revenues, including those for schools, and assume the Department of Revenue may have more detailed information.

BAP officials assume this proposal would impact the calculation under Article X, Section 18(e).

Officials from the **Department of Revenue** assume this proposal would exempt vehicles ten years old or older from state and local taxes. This would include motor vehicles and ATV's, but not trailers, boats, or outboard motors.

DOR officials assume the Department would create a new state and local tax exemption code for vehicles with a model year ten years old or older from the year of titling. For example, if titling in 2014, vehicles with a model year of 2004 and prior would be exempt. This exemption code would be included on the printed title, to indicate no taxes due.

DOR officials noted the purchase date and price would still need to be collected to assess any applicable title penalties and record keeping requirements.

DOR officials noted this proposal could potentially result in an increase in the number of motor vehicles sold that are ten years old or older, resulting in an unknown increase in the number of title applications processed by the Department. This may result in additional FTE being requested.

**Oversight** assumes this proposal could result in a limited number of additional vehicles titled but assumes the number of additional vehicles titled overall would be minimal and that DOR could absorb any additional cost with existing resources. If unanticipated additional costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

ASSUMPTION (continued)

Fiscal impact

DOR officials stated in calendar year 2013 there was \$38,451,413 in state sales tax collected on motor vehicles and \$39,065 in state sales tax collect on all-terrain vehicles that were ten years old or older, and assume this proposal would result in a loss of sales tax collected that would otherwise be distributed to state funds as shown below.

Fund	FY 2015	FY 2016	FY 2017
General Revenue	\$23,115	\$27,738	\$27,738
School District Trust	\$4,012,474	\$4,814,969	\$4,814,969
State Road	\$11,694,169	\$14,033,002	\$14,033,002
State Transportation	\$320,476	\$384,572	\$384,752
State Road Bond	\$12,014,645	\$14,417,574	\$14,417,574
State Parks	\$400,728	\$480,873	\$480,873
State Soil and Water	\$400,728	\$480,873	\$480,873
Conservation	\$1,002,324	\$1,202,790	\$1,202,790
Total	\$29,868,659	\$35,842,391	\$35,842,571

In addition, there would be a loss of sales tax revenues to local governments as shown below.

Fund	FY 2015	FY 2016	FY 2017
State Sales Tax - Cities	\$2,403,064	\$2,883,677	\$2,883,677
State Sales Tax - Counties	\$1,602,043	\$1,922,451	\$1,922,451
Local Sales Tax	\$19,023,793	\$22,828,551	\$22,828,551
Total	\$23,028,900	\$27,634,679	\$27,634,679

### ASSUMPTION (continued)

DOR officials also noted there are currently 12,737 active delinquent fees on file for vehicles that are 10 years of age (as of 2014) or older. Those delinquent fees currently total \$2,158,039 in uncollected state sales tax that the Department would otherwise attempt to assess and collect from the applicant. If this proposal were to pass this uncollected tax would be waived, resulting in a potential loss in state sales tax that would otherwise be distributed as shown below.

**Oversight** notes the DOR amounts in the tables above include the potential collection of delinquent fees but assumes that a waiver by DOR for uncollected delinquent taxes as well as additions to tax, penalties, and interest on those delinquent accounts would be an administrative decision and not a direct impact from this proposal.

**Oversight** is not otherwise able to determine the reasonableness of the revenue estimates provided by the DOR since we are prohibited from reviewing DOR records or underlying source documents by the department's interpretation of their confidential records law. Oversight will assume the revenue reductions resulting from this proposal would be less than the amounts provided by DOR.

### Administrative Impact

DOR officials assume the Motor Vehicle Bureau (MVB) procedures would need to be revised by a Management Analyst Specialist I, requiring 40 hours time at a cost of \$840 in FY 2015. In addition, the Department's website would need to be updated. The update would require ten hours time for an Administrative Analyst III, at a cost of \$230 in FY 15. The Missouri Titling Manual would need to be revised by a Management Analyst Specialist I, requiring 40 hours time at a cost of \$840 in FY 2015.

DOR officials also assume MVB would need to complete testing for identified system modifications, and estimated two hours testing for each system modification for a total of six hours time by a Management Analyst Specialist I at a cost of \$126 in FY 2015.

**Oversight** notes the administrative costs indicated by DOR are relatively modest and assumes those costs could be absorbed with existing resources. If unanticipated costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

ASSUMPTION (continued)

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal.

DOR officials assume changes to DOR systems would require the following hours of programming:

*	Titling and Registration Intranet Processing System -	760 hours
*	Delinquent Fee System -	320 hours
*	Titles -	40 hours

The total IT cost estimate was (1120 hours x \$27.30 per hour) = \$30,576.

**Oversight** will include the DOR estimate of IT cost in this fiscal note.

Officials from the **Department of Transportation** deferred to the Department of Revenue for an estimate of the fiscal impact.

Oversight assumptions

**Oversight** assumes the sales tax exemption in this proposal would also reduce the amounts retained by the Department of Revenue for collecting sales and use tax revenues that are distributed to local governments and the Department of Transportation. The revenue reductions related to the collection charges are as follows.

Local sales tax:

	FY 2015	FY 2016	FY 2017
Local Sales Tax	\$19,023,793	\$22,828,551	\$22,828,551
Collection charges at 1%	\$190,237	\$228,285	\$228,285

ASSUMPTION (continued)

Department of Transportation sales tax:

Fund	FY 2015	FY 2016	FY 2017
State Road	\$11,694,169	\$14,033,002	\$14,033,002
State Transportation	\$320,476	\$384,572	\$384,752
State Road Bond	\$12,014,645	\$14,417,574	\$14,417,574
Total	\$24,029,290	\$28,835,148	\$28,835,328
Collection charges at 3%	\$720,879	\$865,054	\$865,054

Total revenue reduction from collection charges:

Local sales tax at 1%	\$190,237	\$228,285	\$228,285
Transportation sales tax at 3%	\$720,879	\$865,054	\$865,054
Total	\$911,116	\$1,093,339	\$1,093,339



<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction</u> - DOR	(Less than	(Less than	(Less than
Collection charges on sales tax	\$911,116)	\$1,093,339)	\$1,093,339)
<u>Revenue reduction</u> - DOR			
Sales tax exemption	(Less than	(Less than	(Less than
Section 144.030	\$23,115)	\$27,738)	\$27,738)
<u>Cost</u> - DOR			
Computer programming			
Section 144.030	(\$30,576)	\$0	\$0
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>(Less than <u>\$964,807</u>)</b>	<b>(Less than <u>\$1,121,077</u>)</b>	<b>(Less than <u>\$1,121,077</u>)</b>
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Revenue reduction</u> - DOR			
Sales tax exemption	(Less than	(Less than	(Less than
Section 144.030	\$4,012,474)	\$4,814,969	\$4,814,969
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b>(Less than <u>\$4,012,474</u>)</b>	<b>(Less than <u>\$4,814,969</u>)</b>	<b>(Less than <u>\$4,814,969</u>)</b>
<b>CONSERVATION COMMISSION FUND</b>			
<u>Revenue reduction</u> - DOR			
Sales tax exemption	(Less than	(Less than	(Less than
Section 144.030	\$1,002,324)	\$1,202,790)	\$1,202,790)
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b>(Less than <u>\$1,002,324</u>)</b>	<b>(Less than <u>\$1,202,790</u>)</b>	<b>(Less than <u>\$1,202,790</u>)</b>

FISCAL IMPACT - State Government  
 (Continued)

FY 2015  
 (10 Mo.)

FY 2016

FY 2017

**ROAD FUND**

Revenue reduction - DOR

Sales tax exemption  
 Section 144.030

(Less than  
\$11,694,169)

(Less than  
\$14,033,002)

(Less than  
\$14,033,002)

**ESTIMATED NET EFFECT ON  
 ROAD FUND**

**(Less than  
\$11,694,169)**

**(Less than  
\$14,033,002)**

**(Less than  
\$14,033,002)**

**TRANSPORTATION FUND**

Revenue reduction - DOR

Sales tax exemption  
 Section 144.030

(Less than  
\$320,476)

(Less than  
\$384,572)

(Less than  
\$384,572)

**ESTIMATED NET EFFECT ON  
 TRANSPORTATION FUND**

**(Less than  
\$320,476)**

**(Less than  
\$384,572)**

**(Less than  
\$384,572)**

**ROAD BOND FUND**

Revenue reduction - DOR

Sales tax exemption  
 Section 144.030

(Less than  
\$12,014,645)

(Less than  
\$14,417,574)

(Less than  
\$14,417,574)

**ESTIMATED NET EFFECT ON  
 ROAD BOND FUND**

**(Less than  
\$12,014,645)**

**(Less than  
\$14,417,574)**

**(Less than  
\$14,417,574)**

FISCAL IMPACT - State Government  
(Continued)

FY 2015  
(10 Mo.)

FY 2016

FY 2017

**PARKS, AND SOIL AND WATER  
FUNDS**

Revenue reduction - DOR

Sales tax exemption  
Section 144.030

(Less than  
\$801,456)

(Less than  
\$961,476)

(Less than  
\$961,476)

**ESTIMATED NET EFFECT ON  
PARKS, AND SOIL AND WATER  
FUNDS**

**(Less than  
\$801,456)**

**(Less than  
\$961,476)**

**(Less than  
\$961,476)**

FISCAL IMPACT - Local Government

FY 2015  
(10 Mo.)

FY 2016

FY 2017

**LOCAL GOVERNMENTS**

Revenue reduction - DOR

Sales tax exemption  
Section 144.049

(Less than  
\$23,028,900)

(Less than  
\$27,634,679)

(Less than  
\$27,634,679)

**ESTIMATED NET EFFECT ON  
LOCAL GOVERNMENTS**

**(Less than  
\$23,028,900)**

**(Less than  
\$27,634,679)**

**(Less than  
\$27,634,679)**

### FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to a small businesses which purchases a vehicle that qualifies for the sales and use tax exemption.

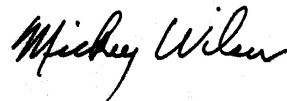
### FISCAL DESCRIPTION

This proposal would exempt from sales and use tax any motor vehicle with a model year at least 10 years prior to the year in which the vehicle is being titled.

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

Office of the Secretary of State  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Revenue  
Department of Transportation



Mickey Wilson, CPA  
Director  
March 10, 2014

Ross Strobe  
Assistant Director  
March 10, 2014