

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5060-02
Bill No.: HCS for HB 1549
Subject: Agriculture, Motor Vehicles, Taxation and Revenue - Sales and Use
Type: Original
Date: February 23, 2018

Bill Summary: This proposal allows certain motor vehicle purchasers an allowance against sales tax for any agricultural products produced by such purchaser.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
State Road Fund	(Could Exceed \$100,000)	(Could Exceed \$100,000)	(Could Exceed \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Could Exceed \$100,000)	(Could Exceed \$100,000)	(Could Exceed \$100,000)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	(Could Exceed \$25,000)	(Could Exceed \$25,000)	(Could Exceed \$25,000)

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal would expand the agricultural motor vehicle sales tax exemption for motor vehicles used in agriculture from just those used for grain and livestock to all motor vehicles used to produce fruits, vegetables and cotton. B&P estimates that this expansion may decrease Total State Revenue by an unknown amount, if new motor vehicles qualify under the expanded definition.

This proposal may reduce Total State Revenue by an unknown amount. This proposal may impact the calculation under Article X, Section 18(e).

Officials at the **Department of Revenue (DOR)** assume this permits the purchaser of a motor vehicle or trailer used for agricultural use, to be allowed to use any grain, fruit, vegetables, cotton or livestock produced or raised by the purchase as a tax credit towards the purchase of the vehicle or trailer. This expands from the current provisions of §144.025.5, from allowing only grain and livestock produced or raised by the purchaser to grain, fruit, vegetables, cotton or livestock produced or raised by the purchaser. The Department anticipates a minimal increase in telephone calls, emails, and correspondence received. If the increase is more significant than anticipated, additional FTE will be requested through the appropriations process. The Department website, forms, and procedures would have to be updated, but we anticipate to be able to absorb the costs associated with these updates.

The proposed language would allow any grain, fruit, vegetables, cotton or livestock produced or raised by the purchaser of a motor vehicle or trailer for agricultural use to qualify for a tax credit to use towards the sales or use tax liability. This expands from the current provisions of §144.025.5 from allowing only grain and livestock produced or raised by the purchaser to all grain, fruit, vegetables, cotton or livestock produced or raised by the purchaser. The Department anticipates an increase in sales tax credits allowed due to this change, which would reduce revenue that goes to the Motor Fuel Tax Fund potentially in excess of \$100,000. State tax on the purchase of Motor Vehicles is split 75% Highways 15% Cities 10% Counties.

Oversight notes the Motor Fuel Tax Fund (0673) is distributed 12% to counties, 15% to cities and the remaining 73% to the State Road Fund.

Officials at the **Department of Agriculture** assume there is no fiscal impact from this proposal.

ASSUMPTION (continued)

Officials at the **Missouri Department of Transportation** defer to the Department of Revenue for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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STATE ROAD FUND

<u>Revenue Reduction</u> - expansion of the sales tax credit for the purchase of a vehicle used for agricultural purposes	(Could Exceed <u>\$100,000</u>)	(Could Exceed <u>\$100,000</u>)	(Could Exceed <u>\$100,000</u>)
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ESTIMATED NET EFFECT ON THE STATE ROAD FUND	(Could Exceed <u>\$100,000</u>)	(Could Exceed <u>\$100,000</u>)	(Could Exceed <u>\$100,000</u>)
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<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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CITY & COUNTY FUNDS

<u>Revenue Reduction</u> - expansion of the sales tax credit for the purchase of a vehicle used for agricultural purposes	(Could Exceed <u>\$25,000</u>)	(Could Exceed <u>\$25,000</u>)	(Could Exceed <u>\$25,000</u>)
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ESTIMATED NET EFFECT ON CITY & COUNTY FUNDS	(Could Exceed <u>\$25,000</u>)	(Could Exceed <u>\$25,000</u>)	(Could Exceed <u>\$25,000</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.

FISCAL DESCRIPTION

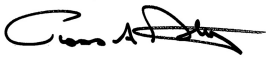
Currently, a purchaser of a motor vehicle or trailer for agricultural use may use grain or livestock as an allowance to offset the sales and use tax liability from the purchase. This bill allows any agricultural products produced or raised by the purchaser to be used to offset the tax liability.

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 Agriculture
Department of Revenue
Missouri Department of Transportation
Office of Administration
Division of Budget and Planning

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized, cursive script.

Acting Director
February 23, 2018