

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1443-01  
Bill No.: HB 626  
Subject: Department of Revenue; Taxation and Revenue - General; Taxation and Revenue  
- Sales and Use; Motor Vehicles  
Type: Original  
Date: February 19, 2019

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Bill Summary: This proposal modifies provisions relating to the leasing or renting of motor vehicles.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
General Revenue	(\$66,632) to (\$85,050)	\$0 to (\$80,631)	\$0 to (\$81,312)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$66,632) to (\$85,050)</b>	<b>\$0 to (\$80,631)</b>	<b>\$0 to (\$81,312)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Highway Fund (0644)	From (\$220,263) to \$430,575	From (\$264,316) to \$516,690	From (\$264,316) to \$516,690
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>From (\$220,263) to \$430,575</b>	<b>From (\$264,316) to \$516,690</b>	<b>From (\$264,316) to \$516,690</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>0 or 1 FTE</b>	<b>0 or 1 FTE</b>	<b>0 or 1 FTE</b>

☐ 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 2020	FY 2021	FY 2022
<b>Local Government</b>	<b>From (\$73,421) to \$143,525</b>	<b>From (\$88,105) to \$172,230</b>	<b>From (\$88,105) to \$172,230</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Revenue (DOR)** assume the following regarding this proposal:

To implement the proposed legislation, the Department will be required to:

- Update or create procedures, correspondence, and the Department website;
- Update the Application for Permit to Operate as a Motor Vehicle/Marine Craft Leasing Company (DOR-901);
- Complete programming and user acceptance testing;
- Create or amend administrative rules; and
- Train staff.

#### FY 2020 - Motor Vehicle Bureau

Management Analysis Spec I	440 hrs. @ \$18.42 per hr.	= \$ 8,105
Administrative Analyst III	10 hrs. @ \$19.80 per hr.	= \$ 198
Administrative Office Support Asst.	15 hrs. @ \$13.78 per hr.	= \$ 207
Revenue Manager	80 hrs. @ \$20.59 per hr.	= \$ 1,647
Total		= \$10,157

#### FY 2020 - Personnel Services Bureau

Administrative Analyst III	10 hrs. @ \$19.80 per hr.	= \$ 198
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**Total Costs** **= \$10,355**

**Oversight** assumes DOR will use existing staff and will not hire additional FTE to conduct these activities; therefore, Oversight will not reflect the administrative costs DOR has indicated on the fiscal note.

**DOR** notes OA-ITSD services will be required at a cost of \$85,050 (1,134 hours x \$75 per hour) in FY 2020.

**Oversight** notes ITSD assumes that every new IT project/system will be bid out because all their resources are at full capacity. For this bill, ITSD assumes they will contract out the programming changes needed to the MODL system. ITSD estimates the project would take 1,134 hours at a contract rate of \$75 per hour for a total cost to the state of \$85,050. Oversight notes that an average salary for a current IT Specialist within ITSD is \$51,618, which totals roughly \$80,000 per year when fringe benefits are added.

ASSUMPTION (continued)

Administrative Impact (continued)

Assuming that all ITSD resources are at full capacity, Oversight assumes ITSD may (instead of contracting out the programming) hire an additional IT Specialist to perform the work required from this bill. Therefore, Oversight will range the fiscal impact from the cost of contracting out the work (\$85,050) to hiring an additional FTE IT Specialist (roughly \$80,000 per year).

Revenue Impact

**DOR** notes this legislation will allow licensed lease rental companies that have 10 or more vehicles registered in their fleet to be issued fleet license plates that can be transferred around within their fleet without having to transfer the registration through the Department of Revenue. It is unknown how many companies will utilize this option. The average passenger vehicle registration fee in FY 2018 was \$24 and the average truck registration fee was \$46. This legislation increases the cost of each plate to \$36 for lease rental companies that utilize this option, but the Department will not collect \$2 transfer fees since the qualifying lease rental companies will no longer be required to transfer their registration through the normal process, but rather will be able to transfer their registration within their fleet without doing so through the Department.

Based on an assumption that all lease rental companies that have 10 or more vehicles currently registered using a lease rental sales tax exemption will utilize this option (52,067), there will be an estimated increase in registration fees in the amount of \$520,670 that will get distributed to highways, cities, and counties.

New fleet registration fee of \$36 x total number of fleet registrations (52,067) = \$1,874,412  
Current fleet registration fee of \$24 plus \$2 transfer fee = \$26 x 52,067 = \$1,353,742

$\$1,874,412 - \$1,353,742 = \$520,670$

In addition, there was 673 lease rental companies in FY 2018. With the \$250 licensure fee (\$144,070.5) this legislation creates, there would be an increase in the amount of \$168,250 that would get distributed to highways, cities, and counties.

ASSUMPTION (continued)

Revenue Impact (continued)

**Total Amount to Distribute \$688,920 (\$520,670 + \$168,250)**

	<b>FY 2020 (10 months)</b>	<b>FY 2021</b>	<b>FY 2022</b>
Highways	\$430,575	\$516,690	\$516,690
Cities	\$86,115	\$103,338	\$103,338
Counties	\$57,410	\$68,892	\$68,892
Total	\$574,100	\$688,920	\$688,920

Source: DOR

This fiscal note impact estimate does not include lease rental companies that do not claim the lease rental sales tax exemption due to limitations on identifying those vehicles in our system (owner names shown can vary within same lease rental company). Depending on how many of these lease rental companies utilize the provisions of this legislation, the increase to the Highways, Cities, and Counties could be substantially higher.

**Oversight** does not have any information to the contrary in regards to DOR's assumptions; however, Oversight notes not all lease rental companies may choose to participate and pay the \$250 annual fee and increased plate fees. In addition, registration fees for trucks belonging to a lease rental company will decrease from (an average of) \$46 to \$36. It is unknown how many of the vehicles are passenger vehicles or trucks. If all of the vehicles that were originally registered as trucks, the loss of revenue would be \$520,670 (52,067 trucks x \$10 decreased registration fee = \$520,670). Therefore, Oversight will range the revenue impact as a loss of "Up to \$520,670" to an increase of "Up to \$520,670."

Officials from the **Office of the State Courts Administrator (OSCA)** assume the proposal will have no fiscal impact on their organization.

**Oversight** notes that OSCA has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for OSCA.

ASSUMPTION (continued)

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 SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes 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 the office can sustain with the core budget.

Therefore, the SOS reserves 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.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could require additional resources.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state that the proposal is not anticipated to cause a fiscal impact to their agency beyond its current appropriation.

**Oversight** assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>GENERAL REVENUE FUND</b>			
<u>Cost - DOR - ITSD costs (ranged from contracting out programming to hiring additional FTE IT Specialist)</u>	(\$66,632) to <u>(\$85,050)</u>	\$0 to <u>(\$80,631)</u>	\$0 to <u>(\$81,312)</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b>(\$66,632) to <u>(\$85,050)</u></b>	<b>\$0 to <u>(\$80,631)</u></b>	<b>\$0 to <u>(\$81,312)</u></b>
Estimated Net FTE Change to the General Revenue Fund	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE

FISCAL IMPACT - State Government  
 (continued)

FY 2020  
 (10 Mo.)

FY 2021

FY 2022

**HIGHWAY FUND**

Revenue - potential of up to 673 lease  
 rental companies paying \$250 annual fee

Up to \$105,156

Up to \$126,187

Up to \$126,187

Revenue change - increased fee for lease  
 rental companies to register vehicles and  
 lease rental companies' licensure fees  
 and/or potential decreased fee for truck  
 registrations

From  
 (\$325,419) to  
\$325,419

From  
 (\$390,503) to  
\$390,503

From  
 (\$390,503) to  
\$390,503

**ESTIMATED NET EFFECT ON THE  
 HIGHWAY FUND**

From  
(\$220,263) to  
\$430,575

From  
(\$264,316) to  
\$516,690

From  
(\$264,503) to  
\$516,690

**FISCAL IMPACT - Local Government**

FY 2020  
(10 Mo.)

FY 2021

FY 2022

**LOCAL POLITICAL SUBDIVISIONS**

<u>Revenue change</u> - Cities (15%) - increased fee for lease rental companies to register vehicles and lease rental companies' licensure fees and/or potential decreased fee for truck registrations	From (\$65,083) to \$65,083	From (\$78,100) to \$78,100	From (\$78,100) to \$78,100
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<u>Revenue</u> Cities - potential of up to 673 lease rental companies paying \$250 annual fee (15%)	Up to \$21,031	Up to \$25,238	Up to \$25,238
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<u>Revenue</u> - Counties - potential of up to 673 lease rental companies paying \$250 annual fee (10%)	Up to \$14,022	Up to \$16,825	Up to \$16,825
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<u>Revenue change</u> - Counties (10%) - increased fee for lease rental companies to register vehicles and lease rental companies' licensure fees and/or potential decreased fee for truck registrations	From (\$43,389) to \$43,389	From (\$52,067) to \$52,067	From (\$52,067) to \$52,067
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<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>From (\$73,421) to \$143,525</u></b>	<b><u>From (\$88,105) to \$172,230</u></b>	<b><u>From (\$88,105) to \$172,230</u></b>
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**FISCAL IMPACT - Small Business**

Leasing or rental companies will be required to pay an annual fee of \$250 to operate as a leasing or rental company.

License Offices may lose out on license transfer fees due to this legislation. Based on an assumption that all lease rental companies that have 10 or more vehicles currently registered in their fleet will utilize this option, there will be an estimated decrease in total license office processing fees in the amount of \$104,134.



## FISCAL DESCRIPTION

This bill requires any person, company, or corporation engaged in the business of renting or leasing motor vehicles, trailers, boats, or outboard motors, which are to be used exclusively for rental or lease purposes, and not for resale, to apply to the Director of the Department of Revenue for authority to operate as a leasing or rental company and pay an annual fee of \$250 for such authority.

Additionally, every applicant to be a lease or rental company will furnish with the application a corporate surety bond or irrevocable letter of credit issued by any state or federal financial institution in the penal sum of \$100,000, on a form approved by the department. The bond or irrevocable letter of credit will be conditioned upon the lease or rental company complying with the provisions of any statutes applicable to lease or rental companies, and the bond will be an indemnity for any loss sustained by reason of the acts of the person bonded when such acts constitute grounds for the suspension or revocation of the lease or rental license.

The bond will be executed in the name of the state of Missouri for the benefit of all aggrieved parties or the irrevocable letter of credit shall name the state of Missouri as the beneficiary; except that, the aggregate liability of the surety or financial institution to the aggrieved parties shall, in no event, exceed the amount of the bond or irrevocable letter of credit. The proceeds of the bond or irrevocable letter of credit shall be paid upon receipt by the department of a final judgment from a Missouri court against the principal and in favor of an aggrieved party.

Any person, company, or corporation engaged in the business of renting or leasing 10 or more motor vehicles which are to be used exclusively for rental or leasing purposes and not for resale, and that has applied to the Director of the Department of Revenue for authority to operate as a leasing company may also operate as a registered fleet owner (Section 144.070, RSMo).

The Director of the Department of Revenue may issue license plates to a fleet owner after he or she completes an application, as designed by the director, and payment of an annual fee of \$360 for the first 10 plates and \$36 for each additional plate for fleet vehicles.

The payment and issuance of such plates shall be in lieu of registering each motor vehicle with the director as otherwise provided by law. These motor vehicles will not be exempt from safety and emission inspections required by law, but these inspections will not be required to be presented to the director.

Registrations for fleets are on an annual or biennial basis. If an applicant elects a biennial registration, the annual fleet license plate fees are doubled and the agent fee is collected in an amount equal to the fee for two years.

FISCAL DESCRIPTION (continued)

Prior to the issuance of fleet license plates, the applicant must provide proof of insurance as required under current law.

The authority of a recipient of a lease or rental company license issued by the director as prescribed in Section 144.070 to operate as a fleet owner as provided in this section shall expire on January 1st of the licensure period.

A lease or rental company operating fleet license plates issued under these provisions bill shall make available, upon request, to the Director of the Department of Revenue and all Missouri law enforcement agencies any corresponding vehicle and registration information that may be requested as specified by the rule.

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 Revenue  
Office of the State Courts Administrator  
Office of the Secretary of State  
Joint Committee on Administrative Rules



Kyle Rieman  
Director  
February 19, 2019

Ross Strobe  
Assistant Director  
February 19, 2019