

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1197H.011
 Bill No.: HB 713
 Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Property, Real and Personal; Motor Vehicles; County Officials; State Tax Commission
 Type: Original
 Date: January 18, 2023

Bill Summary: This proposal modifies provisions relating to motor vehicle assessment valuations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue*	\$0	\$0	(Unknown)
Total Estimated Net Effect on General Revenue	\$0	\$0	(Unknown)

*Oversight assumes the initial administrative costs to implement the bill for the State Tax Commission could reach the \$250,000 threshold

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Blind Pension Fund (0621)	\$0	\$0	Unknown to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	Unknown to (Unknown)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Local Government	\$0	\$0	Unknown to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal would change the assessment method for motor vehicles. B&P notes that the Blind Pension Trust fund levies a \$0.03 per \$100 valuation property tax. B&P does not have enough information to estimate the potential revenue impact to the Blind Pension Trust Fund or local revenues. B&P defer to STC for the administrative impact.

Officials from the **State Tax Commission (STC)** note this proposal has an unknown fiscal impact on local taxing jurisdictions such as school districts, counties, cities who rely on property tax assessments as a source of revenue. The bill would require significant costs, including additional FTE for the State Tax Commission to receive the Manufacturer Suggested Retail Price (MSRP) from a vendor and then configure that data to fit the multiple assessment programs used in the state. The cost of the data is unknown as well as the cost of licensing for each county in the state.

The STC notes this proposal allows all currently assessed vehicles to use a previously assessed value in the depreciation schedule, but the MSRP would have to be obtained for each new vehicle and used vehicle purchased from outside of the state by Vehicle Identification Number. The current system uses average trade in value listed in the October issue of the National Automobile Dealers Association guide and that value will be less than the starting value of MSRP in most cases, which could cause an increase in assessments. The use of a depreciation schedule would require that the vehicle values decrease each year regardless of the true market values, which could cause a decrease in the assessments generated. The bill also requires all of the software used in the counties to meet minimum standards, which could require a cost to some counties for upgrades.

Officials from the **Office of Administration** and the **Department of Revenue** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **Lincoln County Assessor** assume the county would have possible software cost increases to administer the new appraisal method in this proposal.

Oversight notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum or are at a fixed rate. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law), rather it would result in an actual loss of revenue.

Based on information provided by the Office of the State Auditor, **Oversight** notes, in 2020, there were over 2,500 tax entities with 4,000 different tax rates. Of those entities, 2,980 tax rate ceilings were below the entities’ statutory or voter approved maximum tax rate and 1,098 tax rate ceilings were at the entities’ statutory or voter approved maximum rate. (These numbers do not include entities which use a multi-rate method and calculate a separate tax rate for each subclass of property.)

Oversight notes this proposal applies to tax years beginning with January 1, 2024. The next assessment cycle would not occur until calendar year 2025 with impacted revenues occurring in FY 2026 (December 2025).

Oversight notes this proposal could indirectly impact the assessed value of personal property over time. Therefore, Oversight will show an unknown gain or loss in property tax revenue to local political subdivisions and the Blind Pension Fund beginning in FY 2026.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
<u>Costs</u> – State Tax Commission – §137.115 – Software/programming costs	\$0	\$0	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	\$0	\$0	(Unknown)
BLIND PENSION FUND			
<u>Revenue change</u> - §137.115 – change in property taxes from change in personal property assessed valuation	\$0	\$0	Unknown to (Unknown)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	\$0	\$0	Unknown to (Unknown)

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs</u> – Counties – §137.115 - to administer the changes in assessment from this proposal	\$0	\$0	(Unknown)
<u>Revenue change</u> - §137.115 – change in property taxes from change in personal property assessed valuation	<u>\$0</u>	<u>\$0</u>	<u>Unknown to (Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>Unknown to (Unknown)</u>

FISCAL IMPACT – Small Business

Small businesses that own personal property could see a reduction in property taxes.

FISCAL DESCRIPTION

Currently, county assessors must use the October issue of the National Automobile Dealers' Association Official Used Car Guide to determine the true value of a motor vehicle described therein. The assessor cannot use a value that is greater than the average tradein value without performing a physical inspection, unless the car is two years old or newer.

This bill repeals these provisions and requires the manufacturer's suggested retail price (MSRP) be used for all vehicles as acquired annually by the State Tax Commission for the original value in money (the MSRP) of all motor vehicle assessment valuations.

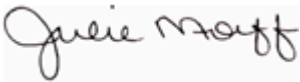
A 20 year depreciation schedule will be applied to the MSRP to develop the annual and historical valuation guide for all motor vehicles. The values will be delivered to software vendors no later than November 15th annually and vendors must have the values in place by December 15th annually for use in the next assessment year.

How to implement the new schedule without large variations from the current method is specified in the bill, as well as how the State Tax Commission will develop bid specifications to secure the MSRP and how an annual appropriation will be used. This bill has a delayed effective date of January 1, 2024.

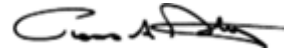
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning
Department of Revenue
Office of Administration
State Tax Commission
Lincoln County Assessor



Julie Morff
Director
January 18, 2023



Ross Strobe
Assistant Director
January 18, 2023