

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1197H.03C
 Bill No.: HCS No. 2 for 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: February 14, 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 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 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 bill allows for 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 vehicles 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 depreciation schedule stopping after 15 years would cause a reduction due to approximately 33% of vehicles being removed from assessment. 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 **Department of Social Services** assume Section 137.115.9 is amended to require the assessors to use the manufacturer's suggested retail price for all manufactured motor vehicles as acquired annually by the state tax commission for the original value in money of all motor vehicle assessment valuations. The following fifteen-year depreciation schedule shall be applied to each manufacturer's suggested retail price:

<u>Year</u>	<u>Percent Depreciation</u>
<u>Current</u>	<u>15</u>
<u>1</u>	<u>25</u>
<u>2</u>	<u>32.5</u>
<u>3</u>	<u>39.3</u>

<u>4</u>	<u>45.3</u>
<u>5</u>	<u>50.8</u>
<u>6</u>	<u>55.7</u>
<u>7</u>	<u>60.1</u>
<u>8</u>	<u>64.1</u>
<u>9</u>	<u>67.7</u>
<u>10</u>	<u>71</u>
<u>11</u>	<u>75.2</u>
<u>12</u>	<u>79.2</u>
<u>13</u>	<u>83.2</u>
<u>14</u>	<u>87.2</u>
<u>15</u>	<u>90</u>
<u>Greater than 15</u>	<u>99.9</u>

Blind Pension (BP) is funded from 0.03% of each \$100 assessed valuation of taxable property. Assessing vehicles based on the suggested depreciation schedule could impact the amount received for the BP fund. According to the [2022 State Tax Commission Annual Report](#), \$20,659,394,897 of the \$135,215,666,531 total assessed valuation for the State of Missouri comes from vehicles including recreational vehicles. Therefore, approximately \$6,197,818 [$(\$20,659,394,897/100)*0.03 = \$6,197,818.47$, rounded down] in property tax revenue is collected from motor vehicles.

Motor vehicles are currently assessed based on a recommended guide of information for determining the true value of motor vehicle and includes vehicles that are older than fifteen years old in the assessment. According to the State Tax Commission, the proposed change to assess vehicles based on a depreciation schedule could result in a reduction in tax revenue from motor vehicles of up to 10.3%. Therefore, FSD estimates that the potential impact to the BP fund would be a decrease of up to \$638,375 ($\$6,197,818*0.103 = \$638,375.25$, rounded down).

Calendar Year	True Value of Motor Vehicles Assessed at Current Rate of 33 1/3%	Assessment Rate	Assessed Value of Motor Vehicles	Tangible Personal Property Tax Collections for the BP fund (0.03% of each \$100 assessed)	Percentage Reduction in Motor Vehicle Assessment	Reduction in Collections for the BP Fund
2025	\$61,984,383,129	33 1/3%	\$20,659,394,897	\$6,197,818	10.3%	\$638,375

Therefore, FSD estimates that the fiscal impact to the BP fund as a result of this legislation would be up to \$638,375 in SFY 26 and ongoing.

If the state chooses to continue funding BP payments at the current level, a general revenue pickup would be needed to replace lost BP fund revenue resulting from this legislation. The current BP payment is \$750. If enacted, the BP payment would be reduced by \$15 to \$735 in SFY 26.

Officials from the **Cape Girardeau County Assessor** assume this revision will result in an annual net loss of property tax revenue of \$1.5 Million or greater to Cape Girardeau County alone.

Officials from the **Lincoln County Assessor** assume this proposal would cause a tax burden shift to the real property owners with the reduction of personal property valuations.

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 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 and additional FTE 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)

Revenue change - §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.

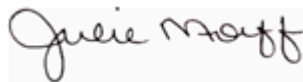
FISCAL DESCRIPTION

This legislation modifies provisions relating to motor vehicle assessment valuations.

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
 State Tax Commission
 Department of Social Services
 Cape Girardeau County Assessor
 Lincoln County Assessor



Julie Morff
 Director
 February 14, 2023



Ross Strobe
 Assistant Director
 February 14, 2023