

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2716H.01I
Bill No.: HB 1398
Subject: Taxation and Revenue - General; Motor Vehicles; Department of Revenue
Type: Original
Date: March 29, 2023

Bill Summary: This proposal authorizes a one-time amnesty month for certain delinquent motor vehicle liabilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue*	(\$256,862)	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$256,862)	\$0	\$0

*The Department of Revenue notes there are currently 286,022 delinquent motor vehicle accounts. It is unknown how many people will participate in this program, or how many people still own the vehicle with the unpaid sales tax due for. For the purposes of this fiscal note, DOR assumed a 50% participation rate. Oversight notes the taxes below may not have been collected regardless.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Highway Fund	(\$17,623,392)	\$0	\$0
Conservation Commission Fund	(\$1,579,021)	\$0	\$0
Parks, Soil and Water Sales Tax	(\$1,263,217)	\$0	\$0
School District Trust Fund	(\$6,316,085)	\$0	\$0
State Road Bond Fund	(\$18,948,254)	\$0	\$0
State Road Fund	(\$25,264,338)	\$0	\$0
Total Estimated Net Effect on Other State Funds	(\$70,994,307)	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS
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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	(\$54,738,769)	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

Administrative Impact

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

- Update internal procedures, forms, and Department website;
- Create Amnesty application and certificate;
- Implement identified system changes and conduct UAT testing;
- Train Staff

FY 2024 – Motor Vehicle Bureau

Associate Research/Data Analyst 168 hrs. @ \$19.90 per hr. = \$3,343

Research/Data Analyst 42 hrs. @ \$24.84 per hr. = \$1,043

Administrative Manager 21 hrs. @ \$26.96 per hr. = \$566

FY 2024 – Strategy and Communications Office

Research /Data Assistant 60 hrs. @ \$16.66 per hr. = \$1,000

Administrative Manager 10 hrs. @ \$26.96 per hr. = \$270

Total Costs = \$6,222

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 **\$42,374** in FY 2024 (446.04 hours x \$95 per hour).

Oversight does not have any information to the contrary in regards to DOR's assumptions; therefore, Oversight will reflect DOR's OA-ITSD costs on the fiscal note.

Processing Requirements

There are currently 286,022 delinquent motor vehicle accounts. It is unknown how many people will participate in this program, or how many people still own the vehicle with the unpaid sales tax due for. For the purposes of this fiscal note, the Department will show a 50 percent participation rate.

Based upon this assumption, an estimated 143,011 amnesty applications will be submitted to the Department during the amnesty month. The Department estimates that an employee can process 10 amnesty applications per hour.

143,011	Estimated number of amnesty applications received
/ 10	Estimated number of amnesty applications processed per hour
14,301	Estimated number of hours needed to process amnesty applications

\$15.00	Temp Hourly wage
\$214,515	Total TEMP Cost to process amnesty applications

The Department anticipates that 50 percent of eligible taxpayers who have been granted amnesty will apply for title and registration within the first 6 months and the remaining 50 percent will apply for title and registration after 6 months. The Department will see an increase in title and registration applications as a result of this legislation.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates for temporary staff as provided by the DOR.

Revenue Impact

DOR notes there are currently 286,022 delinquent motor vehicle accounts in the Department's records. The Department anticipates 50 percent of the current delinquent motor vehicle accounts will be granted amnesty during amnesty month.

286,022	Current delinquent motor vehicle accounts
x 50%	Granted amnesty
143,011	Total delinquent motor vehicle accounts granted amnesty

Loss of State Taxes Due:

\$106,741,730	Current delinquent state tax due
x 50%	Granted amnesty
\$53,370,915	Total Loss of state tax due

Motor Vehicle Sales Tax Funds	Rate	Total Loss
Conservation Sales Tax	0.125%	(\$1,579,021)
Parks, Soil and Water Sales Tax	0.100%	(\$1,263,217)
State Road Bond Fund	1.500%	(\$18,948,254)
State Road Fund	2.000%	(\$25,264,338)
School District Trust Fund	0.500%	(\$6,316,085)
Total	4.225%	(\$53,370,915)

Loss of Local Taxes Due:

\$96,845,368 Current delinquent local tax due
x 50% Granted amnesty
\$48,422,684 Total Loss of local tax due

Loss of Penalties Due:

\$22,375,795 Current delinquent motor vehicle penalty due
x 50% Granted amnesty
\$11,187,897 Total Loss of motor vehicle penalties due

Title penalty fees collected are distributed 100% Highway Fund.

Loss of Registration Fees:

143,011 Delinquent motor vehicle accounts granted amnesty
x \$60 Average two-year registration fee
\$8,580,660 Total loss of registration fees

Registration fees collected are distributed 75% Highway Fund, 15% Cities, and 10% Counties.

Registration Fees	Rate	Total Loss
Highway Fund	75%	(\$6,435,495)
Cities	15%	(\$1,287,099)
Counties	10%	(\$858,066)

Total Loss

State Tax Loss	\$53,370,915
Local Tax Loss	\$48,422,684
Motor Vehicle Penalties Loss	\$11,187,897
Registration Fees Loss	\$8,580,660

For the purposes of this fiscal note, the above amounts will be represented as a loss. It is unknown how many people would have eventually paid these taxes and fees if this program did not exist.

Oversight does not have information to the contrary and therefore, Oversight will reflect the loss of revenue estimates as provided by the DOR.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note 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 its 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.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE FUND			
<u>Cost – DOR – temporary staff to process amnesty applications</u>	(\$214,515)	\$0	\$0
<u>Cost – DOR – OA-ITSD services</u>	(\$42,347)	\$0	\$0
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	(\$256,862)	\$0	\$0
CONSERVATION COMMISSION FUND (0609)			
<u>Loss – sales tax due to amnesty</u>	(\$1,579,021)	\$0	\$0
ESTIMATED NET EFFECT ON THE CONSERVATION COMMISSION FUND	(\$1,579,021)	\$0	\$0
<u>FISCAL IMPACT – State Government (continued)</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026

HIGHWAY FUND			
<u>Loss</u> – registration penalty fees due to amnesty	(\$6,435,495)	\$0	\$0
<u>Loss</u> – title penalty fees due to amnesty	(\$11,187,897)	\$0	\$0
ESTIMATED NET EFFECT ON THE HIGHWAY FUND	(\$17,623,392)	\$0	\$0
PARKS, SOIL AND WATER SALES TAX (0613 & 0614)			
<u>Loss</u> – sales tax due to amnesty	(\$1,263,217)	\$0	\$0
ESTIMATED NET EFFECT ON THE PARKS, SOIL AND WATER SALES TAX FUND	(\$1,263,217)	\$0	\$0
SCHOOL DISTRICT TRUST FUND (0688)			
<u>Loss</u> – sales tax due to amnesty	(\$6,316,085)	\$0	\$0
ESTIMATED NET EFFECT ON THE SCHOOL DISTRICT TRUST FUND	(\$6,316,085)	\$0	\$0
<u>FISCAL IMPACT – State Government</u> (continued)	FY 2024 (10 Mo.)	FY 2025	FY 2026

STATE ROAD BOND FUND (0319)			
<u>Loss – sales tax due to amnesty</u>	<u>(\$18,948,254)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE STATE ROAD BOND FUND	<u>(\$18,948,254)</u>	<u>\$0</u>	<u>\$0</u>
STATE ROAD FUND (0320)			
<u>Loss – sales tax due to amnesty</u>	<u>(\$25,264,338)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE STATE ROAD FUND	<u>(\$25,264,338)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss</u> – current delinquent local tax due to amnesty	(\$48,422,684)	\$0	\$0
<u>Loss</u> (Cities 15%) – sales tax due to amnesty	(\$2,502,552)	\$0	\$0
<u>Loss</u> (Counties 10%) - sales tax due to amnesty	(\$1,668,368)	\$0	\$0
<u>Loss</u> (Cities 15%) - registration penalty fees due to amnesty	(\$1,287,099)	\$0	\$0
<u>Loss</u> (Counties 10%) - registration penalty fees due to amnesty	(\$858,066)	\$0	\$0
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	(\$54,738,769)	\$0	\$0

FISCAL IMPACT – Small Business

Small businesses will be allowed to title and register vehicles that are currently pending processing due to delinquent taxes and fees as a result of this proposal.

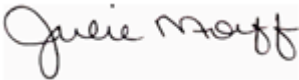
FISCAL DESCRIPTION

This bill creates an "amnesty month" for the month of December, 2023, for taxpayers delinquent in taxes and fees resulting from purchasing a motor vehicle prior to August 28, 2023. Upon completing and submitting an application for the amnesty program, the Department of Revenue will grant the taxpayer full amnesty from state and local motor vehicle sales tax, motor vehicle titling costs, motor vehicle registration fees, and all associated late fees or penalties. Upon granting amnesty, the Department will then issue motor vehicle titles, certificates of motor vehicle registration, valid license plates and license plate tabs, and other relevant documentation.

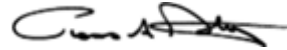
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of the Secretary of State
Joint Committee on Administrative Rules



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Director
March 29, 2023



Ross Strobe
Assistant Director
March 29, 2023