

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3925H.011  
 Bill No.: HB 1527  
 Subject: Taxation and Revenue - Property; Taxation and Revenue - General; Motor Vehicles; Property, Real and Personal; State Tax Commission  
 Type: Original  
 Date: March 4, 2024

Bill Summary: This proposal modifies provisions relating to taxation of vehicles over seven years old.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Blind Pension Fund (0621)	(\$3,118,805)	(\$3,118,805)	(\$3,118,805)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$3,118,805)</b>	<b>(\$3,118,805)</b>	<b>(\$3,118,805)</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Local Government*</b>	<b>(\$700,480,470)</b>	<b>(\$700,480,470)</b>	<b>(\$700,480,470)</b>

\***Oversight** notes this impact could be substantially reduced if taxing authorities are able to increase the levy to other taxpayers to make up for the loss of personal property tax revenue resulting from this proposal.

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 137.115 - Assessment of Motor Vehicles

Officials from the **Department of Revenue** assume this proposal does not have a direct financial impact on the Department of Revenue. There will be a minimal, but negative impact on Blind Pension Fund Collections.

Officials from the **Office of Administration - Budget and Planning (B&P)** note currently all non-historic motor vehicles are assessed at 33.33% of their market value when determining property tax. This proposal would reduce that assessment percentage to 5% for all non-commercial motor vehicles at least seven years old (based on model year). B&P notes that in order to qualify for the reduced assessment, a motor vehicle cannot be used for any commercial purpose.

B&P notes that this proposal would become effective August 28, 2024, which is in the middle of tax year 2024. However, property tax assessment are not completed until after August and the taxes are not due until December. Therefore, B&P assumes that the reduced assessment rate would begin for tax year 2024, with payments due December 31, 2024, which is in FY25.

Based on registration data provided by DOR, B&P estimates that this proposal could reduce the assessment percentage on approximately 76% of non-commercial motor vehicles in Missouri.

Using data published by the U.S. Department of Transportation – Bureau of Transportation Statistics, B&P was able to determine the average price of new vehicles purchased between 1990 and 2022. Using the depreciation schedule allowable under IRS rules and Section 137.122, RSMo., B&P estimated the current approximate fair market value for each model year. Table 1 shows the estimated average assessed value (market value x assessment rate) under current law versus this proposal.

Table 1: Estimated Average Assessment Value

Model Year	Current	Proposed	Difference
2002 older	\$586	\$88	(\$498)
2003	\$763	\$114	(\$649)
2004	\$899	\$135	(\$764)
2005	\$1,033	\$155	(\$878)
2006	\$1,244	\$187	(\$1,057)
2007	\$1,383	\$208	(\$1,175)
2008	\$1,518	\$228	(\$1,290)
2009	\$1,671	\$251	(\$1,420)
2010	\$2,502	\$375	(\$2,127)
2011	\$2,791	\$419	(\$2,372)
2012	\$3,031	\$455	(\$2,576)
2013	\$3,419	\$513	(\$2,906)
2014	\$3,822	\$573	(\$3,249)
2015	\$4,357	\$654	(\$3,703)
2016	\$4,906	\$736	(\$4,170)
2017	\$5,486	\$823	(\$4,663)

B&P notes that the Blind Pension Trust Fund levies a tax on property at the rate of \$0.03 per \$100 assessed value. In addition, based on publicly available data, B&P estimates that the average local property tax levy on motor vehicles is 6.5%.

Therefore, B&P estimates that this proposal could reduce revenues to the Blind Pension Trust Fund by \$3,118,805 and local revenues by \$700,480,470 annually beginning in FY25.

**Oversight's** estimates were relatively similar to those of B&P; therefore, Oversight will utilize B&P's estimated fiscal impact to the Blind Pension Fund and local political subdivisions.

Officials from the **Department of Social Services** assume Section 137.115 is amended to include motor vehicles at least seven years old, based on the model year, and used solely for noncommercial purposes as property assessed and valued for the purposes of taxation at five percent of their true value in money.

Blind Pension (BP) is funded from 0.03% of each \$100 assessed valuation of taxable property. Reducing the assessment rate of property owners based on the provisions of this legislation could impact the BP fund.

According to the [Missouri Department of Revenue State Tax Commission Annual Report for 2022](#), \$28,437,262,802 of the \$135,215,666,531 Total Assessed Valuation for the State of Missouri comes from personal property. Therefore, personal property comprises 21.03% ( $\$28,437,262,802 / \$135,215,666,531 = 21.03\%$ ) of the total taxable property in Missouri.

Property Tax income for the BP fund in SFY 2022 was \$41,900,031.19. or approximately \$41.9 million (rounded down) 21.03% is personal property revenue; therefore, the total personal property revenue for BP is \$8,811,577 ( $\$41,900,031.19 * 0.2103 = \$8,811,577$ , rounded up). Based on the 2022 State Tax Commission Report, 72.64% of this personal property revenue for BP is generated from motor vehicles; therefore, the total estimated personal property revenue from motor vehicles for BP is \$6,400,729 ( $\$8,811,577 * .7264 = \$6,400,729.53$  rounded down).

According to the Missouri Department of Revenue, Missouri has a total of 8,776,256 registered motor vehicles and there are 7,320,362 motor vehicles that are at least seven years old. The percentage of motor vehicles in Missouri that are at least seven years old is 83.41% ( $7,320,362 / 8,776,256 = 83.41\%$ ). FSD estimates that the current contribution to the BP fund for this classification of motor vehicles is \$5,338,848 ( $\$6,400,729 * 0.8341 = \$5,338,848.05$ ; rounded down). If the assessment value of property for these motor vehicles is decreased from 33 1/3 % to 5%, FSD estimates that the potential impact to the BP fund would be a decrease in the amount collected up to \$4,536,953 ( $\$5,338,848 * (100\% - (.05 / .333) = 15.02) = 84.98\% = \$4,536,953$ .)

Therefore, the fiscal impact to the BP fund would be a decrease of \$0 - \$4,536,953 in collections received for the BP fund beginning in SFY 2026.

Officials from the **State Tax Commission** assume this has a possible negative fiscal impact on local taxing jurisdictions such as school districts, counties, cities who rely on property tax assessments as a source of revenue. Under the criteria of HB 1527, all vehicles that are seven years of age or older would be assessed at five percent of market value instead of thirty-three and one third percent. The number of vehicles, and their value, that fall into this category is not known, so the impact cannot be determined.

The **Joint Committee on Public Employee Retirement (JCPER)** assumes the bill has no direct fiscal impact to the Joint Committee on Public Employee Retirement.

The JCPER's review of this legislation indicates it will not affect retirement plan benefits as defined in Section 105.660(9).

Officials from the **City of Springfield** anticipate a negative fiscal impact of an undetermined amount.

Officials from the **City of Kansas City** assume this legislation has a negative fiscal impact of an indeterminate amount.

Officials from the **Adair County SB 40 DD Board** note the Adair County SB40 currently receives approximately \$145,000 in personal property tax revenue for essential services and supports for the county's citizens with developmental disabilities. These funds have been utilized to assist with employment, transportation, residential services support, medical needs, therapies, general relief needs, respite and other services. The funding that the board provides is funding of last resort, meaning that there is no other source of funding for these needs for individuals and their families.

The critical point is that ANY loss of tax levy revenues for SB40 Boards is going to result in a reduction in funding of these essential services for the population of citizens with the highest rate of unemployment, the highest rate of poverty and typically the greatest priority of need.

The Adair County Assessor has indicated that approximately 61% of personal property is 10 years of age or older. The board estimated that if depreciation tables were calculated on a ten year depreciation schedule would be approximately 1/3 or a loss of ~\$48k; on a fifteen year table, the impact would be an estimated loss of 25% or \$36k. If the depreciation tables were based upon a depreciation table of any greater length, the estimates of tax revenues lost would be reduced, but the exact amount is unknown.

Officials from the **Rolling Hills Consolidated Library** note vehicles barely older than 7 years are in no way considered historical. Some vehicles, like Subaru, are still on the road and operating well at 20 or more years. It does not matter if these vehicles are for commercial or noncommercial purposes, public entities plan their income based on personal property taxes being assessed in the way that is now done under current law, and any change to this will have a significant impact on public services. This could result in hundreds of thousands of dollars in lost income over a ten year span.

Officials from the **Howell County Assessor** note this will move 70% of Howell County vehicles to a 5% assessment rate and remove \$2,913,583 from the funding of local government.

Statewide this will remove over \$960,000,000 from local government funding and no replacement of lost revenue from the state is mentioned in the bill.

The livelihood of small jurisdictions depend on this funding to provide necessary services in the rural part of the state. Fire districts, ambulance districts, county hospitals, county nursing homes, health departments and small cities do not have the retail base to make the loss up on sales tax. By removing this funding you will cause the loss of EMTs, paramedics, fire fighters and close hospitals creating a public safety issue and may mean the loss of lives.

Officials from the **Paris R-II School District** note because the fiscal impact of the bill is difficult to determine, the school district has decided to provide a range of possible harm.

If SB 1009 results in a 10% reduction in personal property tax revenue for the school district, it would mean that the district would lose \$65,387. This loss would potentially require the district to cut 1 teacher and 1 paraprofessional.

If SB 1009 results in a 20% reduction in personal property tax revenue for the school district, it would mean that the district would lose \$130,775. This loss would potentially require the district to cut 3 teachers.

If SB 1009 results in a 30% reduction in personal property tax revenue for the school district, it would mean that the district would lose \$196,162. This loss would potentially require the district to cut 4 teachers and 1 paraprofessional.

Officials from the **County Employees' Retirement Fund (CERF)** have reviewed HB 1527 (3925H.011). Our review of HB 1527 would indicate that it would likely result in reductions in contribution revenue to CERF of an unknown amount annually. A certain portion of the moneys that are used to fund the County Employees' Retirement Fund are tied to the collection of property taxes. Data is not available to quantify how changes to the assessment rate for motor vehicles at least seven years old used solely for noncommercial purposes would impact contribution revenue but CERF assumes there would be a negative impact.

Officials from the **Office of the State Auditor, Newton County Health Department, Phelps County Sheriff, Kansas City Police Dept., St. Louis County Police Dept, Daniel Boone Regional Library, Branson Police Dept,** and the **Office of the State Auditor** 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.

**Oversight** notes this proposal all vehicles that are seven years of age or older would be assessed at five percent of market value instead of thirty-three and one third percent. This reduction could also reduce the calculation used to determine the maximum allowed revenue.

**Oversight** notes property tax revenues are designed to be revenue neutral from year to year. The tax rate is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Therefore, this proposal may result in a higher tax rate relative to current law thus distributing more of the tax burden to real property owners.

**Oversight** notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum, and some 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.

**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 2025 (10 Mo.)	FY 2026	FY 2027
<b>BLIND PENSION FUND</b>			
<u>Revenue Reduction</u> - §137.115 - Reduction in assessed value for motor vehicles 7 years and older	<u>(\$3,118,805)</u>	<u>(\$3,118,805)</u>	<u>(\$3,118,805)</u>
<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND</b>	<b><u>(\$3,118,805)</u></b>	<b><u>(\$3,118,805)</u></b>	<b><u>(\$3,118,805)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue Reduction</u> - §137.115 - Reduction in assessed value for motor vehicles 7 years and older	<u>(\$700,480,470)</u>	<u>(\$700,480,470)</u>	<u>(\$700,480,470)</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>(\$700,480,470)</u></b>	<b><u>(\$700,480,470)</u></b>	<b><u>(\$700,480,470)</u></b>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

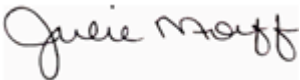
This bill specifies that motor vehicles seven years of age or older, based on the model year and used solely for noncommercial purposes, will be assessed at 5% of their true value in money.

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

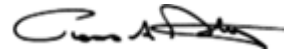


SOURCES OF INFORMATION

Office of Administration - Budget and Planning  
Department of Revenue  
Department of Social Services  
State Tax Commission  
Joint Committee on Public Employee Retirement (JCPER)  
City of Springfield  
City of Kansas City  
Adair County SB 40 DD Board  
Office of the State Auditor  
Newton County Health Department  
Phelps County Sheriff  
Kansas City Police Dept.  
St. Louis County Police Dept  
Daniel Boone Regional Library  
Rolling Hills Consolidated Library  
Branson Police Dept  
Howell County Assessor  
Paris R-Ii School District  
County Employees' Retirement Fund (CERF)



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Director  
March 4, 2024



Ross Strobe  
Assistant Director  
March 4, 2024