

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5381-02
Bill No.: HB 1510
Subject: Taxation and Revenue - Sales and Use; Motor Vehicles
Type: Original
Date: February 13, 2012

Bill Summary: This proposal would expand the current sales and use tax exemption on motor vehicles and trailers, and would modify the definition of the term “common carrier”.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Road Bond	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
State Road	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
State Transportation	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

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 Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

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

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume this proposal would not result in additional costs or savings to their organization.

BAP officials assume this proposal would expand the sales tax exemptions for motor vehicles licensed for a gross weight of twenty-four thousand pounds or more for trailers used by all motor carriers. The proposal would also expand the sales tax exemption for materials, parts, and equipment for motor vehicles used by common carriers.

This proposal would reduce General and Total State Revenues, including highway and education funds, as well as local revenues, by an amount that could exceed \$5 million annually.

Officials from the **Department of Transportation (MODOT)** deferred to the Department of Revenue for an estimate of the fiscal impact to this proposal.

ASSUMPTION (continued)

In response to a similar proposal (SB 480 LR 4472-01) MODOT officials assumed the proposal would reduce the motor vehicle sales tax revenue MODOT receives, because it would expand the sales and use tax exemption, which is currently only available to common carriers, to all motor carriers as defined by state law. The statutory definition of "motor carriers" specifically includes both contract and common carriers, so contract carriers would be exempt from paying sales taxes on motor vehicles licensed with a gross weight of 24,000 pounds or more, and on trailers used by such carriers in the transportation of persons and property.

MODOT receives motor vehicle sales and use taxes as provided by the Missouri Constitution; this proposal would reduce the vehicle sales tax revenues distributed to MODOT, cities and counties. MODOT officials estimated a slight (less than \$100,000) negative impact to sales tax revenue generated from such carriers.

Officials from the **Department of Revenue** (DOR) assume this proposal would not have a fiscal impact on their organization but would reduce Total State Revenue. DOR officials stated that in FY 2011 approximately 12,000 commercial motor vehicles registered with 24,000 pound plates and paid more than \$8 million in state sales and use tax. DOR officials estimated that the revenue reduction would be more than \$5 million per year.

Oversight notes that current law provides for 50% of vehicle sales taxes to be distributed to the Road Bond Fund, 36.5% to the State Road Fund, 1% to the State Transportation Fund, and 12.5% to cities and counties. For fiscal note purposes a revenue reduction less than \$100,000 per year will be indicated for those state funds and for local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
ROAD BOND FUND			
<u>Revenue reduction - Sales tax exemption</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
ESTIMATED NET EFFECT ON ROAD BOND FUND	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
STATE ROAD FUND			
<u>Revenue reduction - Sales tax exemption</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
ESTIMATED NET EFFECT ON STATE ROAD FUND	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
STATE TRANSPORTATION FUND			
<u>Revenue reduction - Sales tax exemption</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
ESTIMATED NET EFFECT ON STATE TRANSPORTATION FUND	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
LOCAL GOVERNMENTS			
<u>Revenue reduction - Sales tax exemption</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which own or operate qualifying motor vehicles or trailers.

FISCAL DESCRIPTION

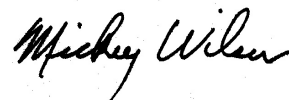
This proposal would expand the current sales and use tax exemption on motor vehicles and trailers used in the transportation of persons and property.

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 the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Revenue
Department of Transportation

NOT RESPONDING



Mickey Wilson, CPA
Director
February 13, 2012