

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3032-01
Bill No.: HB 1469
Subject: Taxation and Revenue - General; Taxation and Revenue - Sales and Use;
 Agriculture; Animals; Department of Revenue
Type: Original
Date: January 16, 2020

Bill Summary: This proposal establishes a sales tax exemption for livestock and agricultural trailers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	Could exceed (\$241,068)	Could exceed (\$262,934)	Could exceed (\$262,934)
Total Estimated Net Effect on General Revenue	Could exceed (\$241,068)	Could exceed (\$262,934)	Could exceed (\$262,934)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Conservation Commission Fund (0609)	Could exceed (\$9,258)	Could exceed (\$11,110)	Could exceed (\$11,110)
Parks (0613) & Soils (0614) Sales Tax Fund	Could exceed (\$6,173)	Could exceed (\$7,407)	Could exceed (\$7,407)
School District Trust Fund (0688)	Could exceed (\$74,066)	Could exceed (\$88,879)	Could exceed (\$88,879)
Total Estimated Net Effect on <u>Other</u> State Funds	Could exceed (\$89,497)	Could exceed (\$107,396)	Could exceed (\$107,396)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Local Government	Could exceed (\$333,333)	Could exceed (\$400,000)	Could exceed (\$400,000)

FISCAL ANALYSIS

ASSUMPTION

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

§144.030

The proposed legislation adds language allowing for a sales tax exemption for trailers purchased primarily for agricultural purposes. The proposed legislation also adds language requiring the Department to create and publish a form that would allow purchasers to apply for this sales tax exemption.

Administrative Impact

The Department of Revenue, Strategy and Communications Office, will be required to create and publish a form that allows purchasers to identify their trailer for agricultural use as well as apply for the sales tax exemption.

FY 2020 - Strategy and Communications Office

Management Analysis Spec I	30 hrs. @ \$18.42 per hr.	= \$552.60
Administrative Analyst II	20 hrs. @ \$18.75 per hr.	= <u>\$375.00</u>
Total		= \$927.60

No additional FTE will be required to process these types of transactions since the legislation does not alter the way the title and registration is processed. The Department assumes they will be able to absorb these minimal administrative costs.

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 **\$21,956** in FY 2020 (231.12 x \$95 per hour).

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

ASSUMPTION (continued)

Revenue Impact

Based on data from FY 2018 and FY 2019, the Department estimates that approximately 1,745 transactions per year will be affected by this legislation.

FY 2018: 1,860 title transactions with sales tax processed for grain and livestock trailers
Amount of state sales tax collected = \$383,959
FY 2019: 1,629 title transactions with sales tax processed for grain and livestock trailers
Amount of state sales tax collected = \$356,702

The estimated loss of revenue collected annually = **\$370,330** (average of tax collected from FY 2018 and FY 2019)

Taxes collected are distributed 71% General Revenue, 24% Education, 3% Conservation, and 2% Park/Soils.

Estimated loss of revenue annually from agricultural trailers:

$\$370,330 \times 71\% = \$262,934.30$ - General Revenue
 $\$370,330 \times 24\% = \$88,879.20$ - Education
 $\$370,330 \times 3\% = \$11,109.90$ - Conservation
 $\$370,330 \times 2\% = \$7,406.60$ - Parks/Soils

DOR notes this is an estimate only and the actual number of affected transactions and revenue loss could be higher if this legislation is implemented. Since citizens are currently not required to state the proposed use of the trailer, the Department is only able to collect data on trailers that have been correctly identified by the citizen.

This legislation will result in an unknown loss in local sales tax. Such loss should be less than \$400,000.

Oversight does not have any information to the contrary in regards to DOR's assumptions regarding the revenue impact of this proposal. However, Oversight assumes the new sales tax exemption may impact reporting behavior, so Oversight will assume the actual impact "could exceed" the estimates provided by the Department of Revenue.

ASSUMPTION (continued)

Officials from the **Department of Transportation** defer to DOR for the fiscal impact of this proposal.

Officials from the **Department of Agriculture, State Tax Commission** and **Department of Public Safety - Missouri Highway Patrol** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the agencies mentioned above have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

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 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 the 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could require additional resources.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state that the proposal is not anticipated to cause a fiscal impact to their agency beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

FISCAL IMPACT - State Government	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE FUND			
Cost - DOR - OA-ITSD services p. 3	(\$21,956)	\$0	\$0
Loss - loss of revenue due to a sales tax exemption for trailers used for agricultural purposes p. 4	Could exceed (\$219,112)	Could exceed (\$262,934)	Could exceed (\$262,934)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	Could exceed (\$241,068)	Could exceed (\$262,934)	Could exceed (\$262,934)
CONSERVATION COMMISSION FUND			
Loss - loss of revenue due to a sales tax exemption for trailers used for agricultural purposes p. 4	Could exceed (\$9,258)	Could exceed (\$11,110)	Could exceed (\$11,110)
ESTIMATED NET EFFECT ON THE CONSERVATION COMMISSION FUND	Could exceed (\$9,258)	Could exceed (\$11,110)	Could exceed (\$11,110)
PARKS/SOILS SALES TAX FUNDS			
Loss - loss of revenue due to a sales tax exemption for trailers used for agricultural purposes p. 4	Could exceed (\$6,173)	Could exceed (\$7,407)	Could exceed (\$7,407)
ESTIMATED NET EFFECT ON THE PARKS/SOILS SALES TAX FUNDS	Could exceed (\$6,173)	Could exceed (\$7,407)	Could exceed (\$7,407)

FISCAL IMPACT - State Government (continued)	FY 2021 (10 Mo.)	FY 2022	FY 2023
---	---------------------	---------	---------

SCHOOL DISTRICT TRUST FUND

Loss - loss of revenue due to a sales tax exemption for trailers used for agricultural purposes p. 4	Could exceed (\$74,066)	Could exceed (\$88,879)	Could exceed (\$88,879)
--	----------------------------	----------------------------	----------------------------

ESTIMATED NET EFFECT ON THE SCHOOL DISTRICT TRUST FUND	Could exceed (\$74,066)	Could exceed (\$88,879)	Could exceed (\$88,879)
---	------------------------------------	------------------------------------	------------------------------------

FISCAL IMPACT - Local Government	FY 2021 (10 Mo.)	FY 2022	FY 2023
----------------------------------	---------------------	---------	---------

LOCAL POLITICAL SUBDIVISIONS

Loss - loss of revenue due to a sales tax exemption for trailers used for agricultural purposes p. 4	Could exceed (\$333,333)	Could exceed (\$400,000)	Could exceed (\$400,000)
--	-----------------------------	-----------------------------	-----------------------------

ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	Could exceed (\$333,333)	Could exceed (\$400,000)	Could exceed <u>(\$400,000)</u>
---	-------------------------------------	-------------------------------------	--

FISCAL IMPACT - Small Business

Small agricultural businesses could have a positive fiscal impact as a result of this proposal.

FISCAL DESCRIPTION

This bill exempts all sales of trailers used primarily for the transport of livestock or for other agricultural purposes from sales and use taxes. Additionally, the Department of Revenue must create a form to be signed and submitted by the purchaser at the time of titling that states the trailer will primarily be used for the transport of livestock or for other agricultural purposes.


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 Agriculture
Department of Revenue
State Tax Commission
Department of Transportation
Department of Public Safety - Missouri Highway Patrol
Office of the Secretary of State
Joint Committee on Administrative Rules



Julie Morff
Director
January 16, 2020



Ross Strobe
Assistant Director
January 16, 2020