

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1159H.01I
Bill No.: HB 590
Subject: Taxation and Revenue - General; Taxation and Revenue - Sales and Use; Motor Vehicles; Department of Revenue
Type: Original
Date: March 16, 2023

Bill Summary: This proposal exempts certain motor vehicles from sales tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue	(\$2,885,214)	(\$3,363,023)	(\$3,363,023)
Total Estimated Net Effect on General Revenue	(\$2,885,214)	(\$3,363,023)	(\$3,363,023)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Conservation Commission Fund	(\$1,875,689)	(\$2,250,827)	(\$2,250,827)
Parks, Soils and Water Fund	(\$1,500,552)	(\$1,800,662)	(\$1,800,662)
School District Trust Fund	(\$7,502,758)	(\$9,003,309)	(\$9,003,309)
State Road Bond Fund	(\$22,508,273)	(\$27,009,928)	(\$27,009,928)
State Road Fund	(\$22,508,273)	(\$27,009,928)	(\$27,009,928)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$55,895,545)	(\$67,074,654)	(\$67,074,654)

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	(\$56,205,223)	(\$67,446,268)	(\$67,446,268)

FISCAL ANALYSIS

ASSUMPTION

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

Administrative Impact

In order to implement the proposed legislation, the Department will be required to:

- Update procedures, forms, and the Department website;
- Update the Missouri Titling Manual;
- Update the Dealer and Business Operating Manual;
- Implement identified system changes and conduct UAT testing; and
- Train Staff.

FY 2024 – Motor Vehicle Bureau

Associate Research/Data Analyst 327 hrs. @ \$19.90 per hr. = \$ 6,507

Research/Data Analyst 82 hrs. @ \$24.84 per hr. = \$ 2,037

Administrative Manager 41 hrs. @ \$26.96 per hr. = \$ 1,105

FY 2024 – Strategy and Communications Office

Research /Data Assistant 80 hrs. @ \$24.84 per hr. = \$ 1,987

Administrative Manager 20 hrs. @ \$26.96 per hr. = \$ 539

Total Costs = \$12,175

The Department anticipates being able to absorb these administrative costs. If multiple bills are passed that require Department resources, funding may be requested through the appropriations process.

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 **\$82,695** in FY 2024 (870.48 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.

Revenue Impact

Loss of State Tax

DOR notes, from FY 2020 to 2022, the average motor vehicles titled where the model year was more than 10 years old at the time of purchase with a purchase price of \$25,000 or less is 547,792 and the average state tax collected was \$65,369,556.

Fiscal Year	Motor Vehicles Over 10 Years Old Titled	State Tax Collected
2020	497,798	\$52,681,081
2021	567,219	\$67,349,626
2022	578,360	\$76,077,963

Average total loss of state taxes collected annually **\$65,369,556**
DOR 3% collection fee loss **\$1,961,086**

Loss of Local Tax

In FY 2020 to 2022, the average motor vehicles titled where the model year is more than 10 years old at the time of purchase with a purchase price of \$25,000 or less is 547,792 and the average local tax collected was \$49,736,008.

Fiscal Year	Motor Vehicles Over 10 Years Old Titled	Local Tax Collected
2020	497,798	\$39,216,666
2021	567,219	\$51,548,401
2022	578,360	\$58,442,959

Average total loss of local taxes collected annually **\$49,736,008**
DOR 3% collection fee loss **\$1,432,080**

Officials from the **Office of Administration - Budget and Planning (B&P)** assume the following regarding this proposal:

This proposal would exclude the sale of motor vehicles over 10 years old and with a purchase price less than \$25,000 from state and local sales tax beginning August 28, 2023.

Based on information provided by DOR, sales tax collections for qualifying motor vehicles were \$134,520,922 (\$76,077,963 state + \$58,442,959 local) in FY 2022.

B&P notes that the state sales tax rate is 4.225%, which is distributed between the State Road Bond Fund, State Road Fund, State Transportation Fund, Fuel Local Deposit (FLOYD), School District Trust Fund, Conservation, and Parks, Soil and Water funds (DNR).

B&P further notes that monies deposited into FLOYD are distributed to locals.

<u>State Funds</u>	FY 2024	FY 2025+
State Road Bond Fund	(\$22,508,273)	(\$27,009,928)
State Road Fund	(\$21,908,052)	(\$26,289,663)
State Transportation Fund	(\$600,221)	(\$720,265)
Education (SDTF)	(\$7,502,758)	(\$9,003,309)
Conservation	(\$1,875,689)	(\$2,250,827)
DNR	(\$1,500,552)	(\$1,800,662)
Total Estimated Loss	(\$55,895,545)	(\$67,074,654)
<u>Local Funds</u>		
Sales Tax	(\$48,702,466)	(\$58,442,959)
Fuel Local Deposit (FLOYD)	(\$7,502,757)	(\$9,003,309)
Total Estimated Loss	(\$56,205,223)	(\$67,446,268)

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by B&P and DOR based on sales from FY 2022.

Officials from the **Missouri Department of Transportation** and **Missouri Highway Patrol** defer to DOR for the potential fiscal impact of this proposal.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
<u>Cost</u> – DOR – OA-ITSD services	(\$82,695)	\$0	\$0
<u>Loss</u> – DOR – no longer receiving the 3% collection fee for vehicles over 10 years old with a purchase price less than \$25,000	(\$2,802,519)	(\$3,363,023)	(\$3,363,023)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$2,885,214)</u>	<u>(\$3,363,023)</u>	<u>(\$3,363,023)</u>
CONSERVATION COMMISSION FUND (0609)			
<u>Loss</u> – sales tax for vehicles over 10 years old with a purchase price less than \$25,000	(\$1,875,689)	(\$2,250,827)	(\$2,250,827)
ESTIMATED NET EFFECT ON THE CONSERVATION COMMISSION FUND	<u>(\$1,875,689)</u>	<u>(\$2,250,827)</u>	<u>(\$2,250,827)</u>
PARKS, SOIL AND WATER FUND (0613 & 0614)			
<u>Loss</u> – sales tax for vehicles over 10 years old with a purchase price less than \$25,000	(\$1,500,552)	(\$1,800,662)	(\$1,800,662)
ESTIMATED NET EFFECT ON THE PARKS, SOIL AND WATER FUND	<u>(\$1,500,552)</u>	<u>(\$1,800,662)</u>	<u>(\$1,800,662)</u>

<u>FISCAL IMPACT – State Government</u> (continued)	FY 2024 (10 Mo.)	FY 2025	FY 2026
SCHOOL DISTRICT TRUST FUND (0688)			
<u>Loss</u> – sales tax for vehicles over 10 years old with a purchase price less than \$25,000	(\$7,502,758)	(\$9,003,309)	(\$9,003,309)
ESTIMATED NET EFFECT ON THE SCHOOL DISTRICT TRUST FUND	(\$7,502,758)	(\$9,003,309)	(\$9,003,309)
STATE ROAD BOND FUND (0319)			
<u>Loss</u> – sales tax for vehicles over 10 years old with a purchase price less than \$25,000	(\$22,508,273)	(\$27,009,928)	(\$27,009,928)
ESTIMATED NET EFFECT ON THE STATE ROAD BOND FUND	(\$22,508,273)	(\$27,009,928)	(\$27,009,928)
STATE ROAD FUND (0320)			
<u>Loss</u> – sales tax for vehicles over 10 years old with a purchase price less than \$25,000	(\$22,508,273)	(\$27,009,928)	(\$27,009,928)
ESTIMATED NET EFFECT ON THE STATE ROAD FUND	(\$22,508,273)	(\$27,009,928)	(\$27,009,928)

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss</u> – sales tax for vehicles over 10 years old with a purchase price less than \$25,000	(\$56,205,223)	(\$67,446,268)	(\$67,446,268)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	(\$56,205,223)	(\$67,446,268)	(\$67,446,268)

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

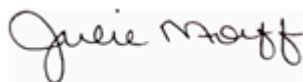
FISCAL DESCRIPTION

This bill exempts the sale of a motor vehicle that is more than 10 years old, and sold for the purchase price of less than \$25,000, from sales tax.

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 Administration - Budget and Planning
Missouri Highway Patrol
Missouri Department of Transportation



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March 16, 2023



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March 16, 2023