

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2715S.01I
Bill No.: SB 625
Subject: Taxation and Revenue - Sales and Use; Motor Vehicles
Type: Original
Date: March 29, 2021

Bill Summary: This proposal modifies a provision relating to a sales tax credit for the replacement of certain vehicles.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Conservation Fund (0609)	(Unknown)	(Unknown)	(Unknown)
Park, Soil, and Water (0613 & 0614)	(Unknown)	(Unknown)	(Unknown)
School District Trust Fund (0688)	(Unknown)	(Unknown)	(Unknown)
State Road Fund (0320)	(Unknown)	(Unknown)	(Unknown)
State Road Bond Fund (0319)	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
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 2022	FY 2023	FY 2024
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

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

Administrative Impact-MVB

If the intent of this legislation is to allow Missouri vehicle owners two years before or after they sell a vehicle to purchase or contract to purchase another unit and receive a tax allowance, the Department will face an increased risk of fraud.

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

- Update procedures, manuals, reject verbiage, correspondence letters, and the Department website;
- Amend administrative rules; and
- Train staff.

FY 2022 – Motor Vehicle Bureau

Associate Research/Data Analyst	170 hrs. @ \$18.50/hr.	= \$3,145
Lead Administrative Support Asst.	15 hrs. @ \$14.54/hr.	= \$ 218
Administrative Manager	80 hrs. @ \$21.56/hr.	= \$1,725

FY 2022 – Strategy and Communications Office

Associate Research/Data Analyst	10 hrs. @ \$18.50/hr.	= \$ 185
---------------------------------	-----------------------	----------

Total Cost	= \$5,273
------------	-----------

The Department anticipates being able to absorb this impact. The proposed legislation may cause an increase in telephone inquiries, email correspondence, and refund requests received by the Department. If the volume is more significant than anticipated, additional FTEs will be requested through the appropriation process.

Administrative Impact-FSD

Due to system restraints, the Bureau does not currently track the number of Total Loss refunds. Therefore, the Department has no way of estimating how many refunds are denied for exceeding the 180 day limit. If this bill passes as written, refunds will increase and may result in the need for an additional FTE which will be requested through appropriations.

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.

Revenue Impact-MVB

DOR notes the proposed legislation extends the sales tax credit period from one-hundred eighty days to two years. The Department has no way of determining how this will affect the amount of sales tax credit used, and the impact on revenue received.

In FY 2020, there were 137,556 total motor vehicle, ATV, trailer, boat, and outboard motor title transactions in which the sales tax credit was given.

State taxes collected are distributed to State Road Bond fund, Funds dedicated for Highway and Transportation use (split 75/15/10 Highways, Cities, and Counties), Parks, Soil and Water, Conservation, and School District Fund.

In addition, the Department issued 15,462 motor vehicle sales tax refunds in FY 2020. The proposed legislation would result in an increase in motor vehicle sales tax refunds in an unknown amount.

The Department does not collect data that would reflect the amount of motor vehicle sales tax credits that will be claimed by extending the credit eligibility from 180 days to two years. This legislation will therefore result in an unknown loss in state and local motor vehicle sales tax collected which could exceed \$10 million.

Oversight does not have information to the contrary and therefore, Oversight will reflect an “Unknown” loss of revenue due to the increased time to claim a sales tax credit and/or motor vehicle sales tax refund. Oversight assumes the loss in revenue may exceed the \$250,000 threshold based on DOR’s assumptions.

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

Officials from the **Missouri Highway Patrol** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
CONSERVATION COMMISSION FUND (0609)			
<u>Revenue Reduction – extension of time to claim sales tax credits</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PARK, SOIL, and WATER FUND (0613, 0614)			
<u>Revenue Reduction – extension of time to claim sales tax credits</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE PARK, SOIL, AND WATER FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
SCHOOL DISTRICT TRUST FUND (0688)			
<u>Revenue Reduction – extension of time to claim sales tax credits</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
STATE ROAD FUND (0320)			
<u>Revenue Reduction – extension of time to claim sales tax credits</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE STATE ROAD FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
STATE ROAD BOND FUND (0319)			
<u>Revenue Reduction – extension of time to claim sales tax credits</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE STATE ROAD BOND FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Reduction</u> (Cities 15%) – extension of time to claim sales tax credits	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Reduction</u> (Counties 10%) – extension of time to claim sales tax credits	(Unknown)	(Unknown)	(Unknown)
NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT – Small Business

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

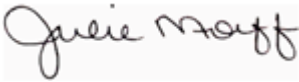
FISCAL DESCRIPTION

Current law allows a taxpayer to take a credit for sales tax paid on certain vehicles when such vehicle is a replacement of a vehicle that is lost due to theft or a casualty loss and such purchase is made within 180 days of the insurance payment or date of loss, whichever is applicable. This act modifies such provision by increasing the 180 day period to two years.

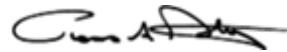
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Missouri Department of Transportation
Missouri Highway Patrol



Julie Morff
Director
March 29, 2021



Ross Strobe
Assistant Director
March 29, 2021