

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2736S.01I
Bill No.: SB 626
Subject: Boats and Watercraft; Commerce and Insurance, Department of; Insurance -
Automobile; Motor Vehicles; Revenue, Department of; Taxation and Revenue -
Sales and Use; Transportation
Type: Original
Date: March 22, 2021

Bill Summary: This proposal modifies provisions relating to vehicle sales tax.

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
State Road Bond Fund (0319)	(Unknown)	(Unknown)	(Unknown)
Conservation Fund (0609)	(Unknown)	(Unknown)	(Unknown)
Park, Soil, and Water (0613 & 0614)	(Unknown)	(Unknown)	(Unknown)
School District Trust Fund (0688)	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

***Oversight** assumes the total could reach the \$250,000 annual threshold.

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 **Office of Administration – Budget & Planning (B&P)** assume this proposal would change the credit allowance allowed when replacing a motor vehicle, trailer, boat or outboard motor due to theft or casualty loss. This proposal may impact TSR if this proposal results in a change in the credit allowance. B&P defers to DOR for more specific information.

Officials from the **Department of Revenue (DOR)** state:

§144.027.1 - removes the requirement that an insured loss is a total loss in excess of the value of the motor vehicle, trailer, boat, or outboard motor and instead allows a sales or use tax credit equivalent to the amount paid by an insurer against the purchase price of a replacement unit, provided the damaged unit has not been repaired.

Also the bill adds that the sales or use tax imposed on the replacement unit shall be computed on that portion of the purchase price as allowed under section 144.025.

§144.027.2 – specifies that for an owner of a motor vehicle, trailer, boat, or outboard motor that does not have insurance coverage for the unit, allows a sales or use tax credit against the purchase price of a replacement unit, if the replacement is due to theft or a casualty loss that is in excess of the value of the unit.

Administrative Impact

To implement the proposed legislation, the Department will be required to:

- Update procedures, correspondence letters, forms, the Department website; and
- Issue communications to the public.

FY 2021 – Motor Vehicle Bureau

Associate Research Data Analyst	10 hrs. @ \$18.50 per hr.	= \$185
Lead Admin Support Assistant	10 hrs. @ \$14.54 per hr.	= \$145.40
Administrative Manager	5 hrs. @ \$22 per hr.	= <u>\$110</u>
Total		<u>\$440.40</u>

FY 2021 – Strategy and Communications Office

Associate Research Data Analyst	10 hrs. @ \$18.50 per hr.	= \$185
Associate Research Data Analyst	10 hrs. @ \$18.50 per hr.	= <u>\$185</u>
Total		<u>\$370</u>

<u>Total Costs</u>	<u>\$810.40</u>
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The Department anticipates that we will be able to absorb these costs and that there will be minimal impact. If multiple bills are passed that require Department resources, FTE may be requested through the appropriations process.

The Department would be required to verify that an insurer paid a claim to the insured for the unit involved, the date payment was issued, and the amount paid. Therefore, the owner would be required to submit a certified or notarized claim statement issued by the insurer identifying the owner(s) name, description of unit (year, make, identification number), and the amount of payment.

The Department would be required to verify two repair estimates in order to determine if the casualty loss is in excess of the value of the unit as compared to the fair market value for units in which the owner did not have insurance coverage. Therefore, the owner would be required to submit two repair estimates.

Revenue Impact

This legislation would result in an unknown loss of sales or use tax revenue collected on the titling of an insurance claim replacement motor vehicle, trailer, boat, and outboard motor as this tax credit would include insurance claim payments in any amount and not restricted to total loss in excess of the value of the unit. This could result in a significant loss in sales tax revenue collected.

The Department is unable to estimate the amount of insurance claim payments that would be used as a sales or use tax credit against the replacement unit purchase price since insurance claims are currently not submitted to the Department unless the vehicle is considered a total loss.

Oversight notes that Missouri Highway Patrol provides statistics for “circumstance involved in crashes by year” from 1997 to 2014 as follows:

Year	Property Damage Crashes
2009	115,228
2010	113,002
2011	106,816
2012	101,881
2013	104,476
2014	103,370
Average	107,462

Source: https://www.mshp.dps.missouri.gov/MSHPWeb/SAC/crash_data_severity_960grid.html

Oversight notes, for purpose of the fiscal note, if only 1% of the crashes involves the type of accident where insurance award Missouri car owner with damages averaging \$5,000 it would total to \$5,373,108 ($1075 \times \$5,000$), with a sales tax reduction of \$227,094 ($\$5,373,108 \times 4.225\%$) to the State. Therefore, **Oversight** will note a negative Unknown impact to the State Road Fund in accordance with Article IV Section 30(b) RSMo affecting State Road Fund, Cities, and Counties on the fiscal note.

Officials from the **Missouri Department of Transportation (MoDOT)** defer to the DOR for fiscal estimate of this proposal.

Officials from the **Missouri Department of Conservation (MDC)** assume the proposal will have an Unknown fiscal impact but greater than \$250,000. Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. Any adjustment in the sales and use tax collected could have an effect on the Conservation Sales Tax funds.

Oversight notes that MDC=s and DNR=s sales taxes are constitutional mandates.

Oversight notes the officials from the DOR noted the accurate breakdown of sales tax when purchasing vehicles in Missouri, and its distribution to appropriate funds as follows:

MV Sales Tax Breakdown	Rate
Conservation Sales Tax	0.125%
Soil & Water Sales Tax	0.050%
Park Sales Tax	0.050%
State Road Bond Fund	1.500%
Funds Dedicated for Highway & Trans. Use	2.000%
School District Trust Fund	0.500%
Total	4.225%

Oversight will show reduction in revenue as shown by DOR for purpose of this fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
STATE ROAD BOND FUND (0319)			
<u>Revenue Reduction – sales tax credits 144.027. 1 & 2.</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
NET EFFECT ON STATE ROAD FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
CONSERVATION FUND (0609)			
<u>Revenue Reduction – sales tax credits 144.027. 1 & 2.</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
NET EFFECT ON CONSERVATION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PARK, SOIL, and WATER FUND (0613, 0614)			
<u>Revenue Reduction – sales tax credits 144.027. 1 & 2.</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
NET EFFECT ON 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 – sales tax credits 144.027. 1 & 2.</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
NET EFFECT ON SCHOOL DISTRICT TRUST 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 – Cities 144.027.1 & 2 (Article IV 30(b))</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue Reduction – Counties 144.027.1 & 2 (Article IV 30(b))</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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

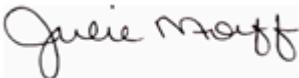
Under current law, the owner of an insured motor vehicle, trailer, boat, or outboard motor replaced due to theft or a total loss is entitled to a credit against the taxable price of a replacement purchased within 180 days.

This act removes the requirement that the insured loss was a total loss, provided that the vehicle has not been repaired.

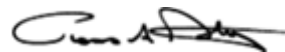
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration – Budget & Planning
Missouri Department of Conservation
Missouri Department of Transportation



Julie Morff
Director
March 22, 2021



Ross Strobe
Assistant Director
March 22, 2021