

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2809-02
Bill No.: HB 1239
Subject: Motor Vehicles; Taxation and Revenue - Sales and Use
Type: Original
Date: February 10, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund*	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Various State Funds	(\$3,395 to Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on Other State Funds*	(\$3,395 to UNKNOWN)	(UNKNOWN)	(UNKNOWN)

*Expected to exceed \$100,000 annually.

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government*	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

*Expected to exceed \$100,000 annually if local government opts to exempt sales.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of Administration, Budget and Planning (BAP)** assume this proposal would provide a sales tax exemption for new motor vehicles manufactured in Missouri. BAP states that DOR does not have the data required to estimate the impact of this proposal. BAP examined Census Bureau data from the "Census of Manufacturing" that deals with manufacturing "Value of Shipments" data by state. BAP assumes this data, however, is not adequate for estimating the impact of this bill. This bill would have no impact on BAP.

Officials of the **Department of Revenue (DOR)** assume this proposed legislation exempts vehicles assembled and sold in Missouri from state sales tax. The description of a motor vehicle that is exempt from state sales tax is "any self-propelled vehicle not operated exclusively upon track, except farm tractors." This legislation allows political subdivisions to enact a local sales tax exemption on such sales. This proposed legislation becomes effective January 1, 2005.

DOR assumes they will need to revise procedures, issue mailings to dealers, and revise the Titling Manual Section at a cost of \$3,395 to FY05.

This proposed legislation will require the DOR to examine the Manufacturer's Statement of Origin (MSO) on every application for title on each new vehicle sale to determine if the vehicle

ASSUMPTION (continued)

was assembled in Missouri. When the vehicle is assembled in Missouri, a new vehicle assembled and purchased in Missouri tax-exempt number will be placed in the state sales tax area of the application.

Cities and/or counties will need to notify DOR if local taxes are collected or not to be collected on new vehicle sales when the vehicle is assembled in Missouri

DOR assumes this legislation will have an unknown reduction in state sales tax and local sales tax collected. Sales tax would be reduced when the number of vehicles assembled in Missouri were 1, 5, 10, 15, or 25% of total new vehicles titled in Missouri as indicated below:

KOV code	KOV	Number Titled FY 03	Tax collected	1% assembled in Missouri	5% assembled in Missouri	10% assembled in Missouri	15% assembled in Missouri	25% assembled in Missouri
A	ATV	13,270	\$2,381,640	\$23,816	\$119,082	\$238,164	\$357,246	\$595,410
B	Buses	26	\$36,033	\$360	\$1,802	\$3,603	\$5,405	\$9,008
C	Motortricycle	4	\$2,264	\$23	\$113	\$226	\$340	\$566
D	Trailers	25,412	\$4,011,632	\$40,116	\$200,582	\$401,163	\$601,745	\$1,002,908
M	Motorcycles	9,040	\$3,070,663	\$30,707	\$153,533	\$307,066	\$460,599	\$767,666
P	Passenger	133,950	\$99,833,189	\$998,332	\$4,991,659	\$9,983,319	\$14,974,978	\$24,958,297
R	R.V.s	474	\$940,773	\$9,408	\$47,039	\$94,077	\$141,116	\$235,193
T	Trucks	56,828	\$41,917,756	\$419,178	\$2,095,888	\$4,191,776	\$6,287,663	\$10,479,439

ASSUMPTION (continued)

According to internet research, **Oversight** located three automakers with plants in Missouri. **Oversight** assumes, for purposes of this fiscal note, this proposal would decrease sales/use tax collections from the sale of motor vehicles. This amount is unknown, therefore **Oversight** will reflect the revenue impact of this proposal as a negative unknown to various state funds, expected to exceed \$100,000 annually. **Oversight** will reflect an unknown revenue loss to local funds as well since local governments can opt to exempt such sales.

This legislation could decrease total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Loss - General Revenue</u>			
Decrease in sales tax for new motor vehicles manuf. in MO*	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
*Expected to exceed \$100,000 annually.			

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
VARIOUS STATE FUNDS			
<u>Cost - Highway Funds</u>			
Revise procedures & mailings	(\$3,395)	\$0	\$0
<u>Loss - Various State Funds</u>			
Decrease in sales tax for new motor vehicles manuf. in MO*	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
TOTAL ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS	<u>(\$3,395 to UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
*Expected to exceed \$100,000 annually.			

FISCAL IMPACT - Local Government FY 2005 FY 2006 FY 2007
(10 Mo.)

VARIOUS LOCAL FUNDS

Loss - Various Local Funds

Decrease in sales tax for new motor
vehicles manuf. in MO* (Unknown) (Unknown) (Unknown)

**TOTAL ESTIMATED NET EFFECT
ON VARIOUS LOCAL FUNDS (UNKNOWN) (UNKNOWN) (UNKNOWN)**

***Expected to exceed \$100,000 annually if local government opts to exempt sales.**

FISCAL IMPACT - Small Business

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

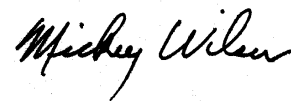
DESCRIPTION

This proposal exempts all motor vehicles assembled and sold in this state on or after January 1, 2005 from the state sales and use tax. Local sales and use taxes would continue to be collected on the transaction unless the political subdivision, by order or ordinance, exempts such sales from local sales tax law.

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
Division of Budget and Planning



Mickey Wilson, CPA

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