

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0106-03
Bill No.: HB 65
Subject: Boats and Watercraft; Taxation and Revenue - Sales and Use; Taxation and Revenue - General
Type: Original
Date: January 17, 2017

Bill Summary: This proposal establishes the Waterways Trust Fund.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(\$7,511,647)	(\$8,990,649)	(\$8,990,649)
Total Estimated Net Effect on General Revenue	(\$7,511,647)	(\$8,990,649)	(\$8,990,649)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Waterways Trust Fund*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*Waterways Trust Fund net to zero after being distributed to Local Port Authorities in the form of grants.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	\$7,492,207	\$8,990,649	\$8,990,649

FISCAL ANALYSIS

ASSUMPTION

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

§68.080

This proposal creates the "Waterways Trust Fund" and dedicates the proceeds from boat and outboard motor taxes and fees to be deposited in the trust fund for use by Missouri Highways and Transportation Commission for grants to local port authorities or regional port coordination agencies. The following would be deposited into the Waterways Trust Fund:

- The state sales taxes on boats and outboard motors collected by the Department of Revenue, excluding the proceeds from that portion of the state sales and use tax dedicated by §144.701 to the school district trust fund and the proceeds from that portion of the state sales and use tax dedicated to other funds under the constitution, not to exceed three percent.
- The first one million dollars collected annually from the certificate of number fee.
- The vessel certificate of title fee and all delinquency penalty fees.
- The outboard motor registration and title fees and all delinquency penalty fees imposed under §306.535.
- The additional processing fees to process boat and outboard motor title and registration transactions imposed under subdivisions (1) to (5) of subsection 1 of §136.055 and collected by all full-time or temporary offices maintained by the department of revenue.
- Any gifts, contributions, grants, or bequests received by the state for the fund.
- Moneys in the waterways trust fund shall be withdrawn only upon appropriation by the general assembly on and after July 1, 2018, to be administered by the state highways and transportation commission and the department of transportation for the purposes under §68.035 and for no other purpose.

ASSUMPTION (continued)

§306.030

The first two million dollars collected annually from the certificate of number fee would be deposited into the Waterways Trust Fund pursuant to this language.

This proposal would repeal §306.180.

Section B

The provisions of §68.080 of section A of this act shall terminate on August 28, 2027.

Administrative Impact

MVB FY 2018

- MVB testing for identified system modifications. 80 hours for each system modification for a total of 160 hours by a Management Analyst Specialist I at a cost of \$1,780 in FY 2018.
- OA-ITSD services will be required at a cost of \$19,440 (259.20 hours x \$75 per hour) for FY 2018.

Cashiering

SAM II requires update for the Waterways Trust Fund. The current transmittal system and worksheets require programming to account for and track the new item tax; or the integrated tax system requires programming to properly account for and track the new item tax.

If this includes all boats regardless if they are required to be titled or registered, then a new item tax will be needed and programming will be needed to add this in MITS or the new integrated tax system. This would affect any retailer that sells these products.

Sales Tax

The Department needs to send a letter to all businesses with all applicable Standard Industry Codes (SIC) related to boat sales to find the correct population of businesses that should be registered with the item tax. Currently the three percent (3%) state sales tax collected on the sales of boat/vessels and outboard motors goes into General Revenue (GR). This change would result in a decrease to GR.

ASSUMPTION (continued)

General Revenue Impact

3% of Marine Sales Tax Diverted from General Revenue

This proposal redirects 3% of the 4.225% collected from General Revenue to the Waterways Trust Fund.

In fiscal year 2016 there was \$8,827,150 in state sales tax collected on vessels and outboard motors from the current 4.225% tax rate.

- 1% (\$2,089,266) of the marine sales tax collected and distributed to the School District Trust Fund would remain constant and is not being calculated into this revenue impact.
- .225% (\$470,085) of the marine sales tax collected and distributed to Conservation, Soil/Water, and Park Funds would remain constant and is not being calculated into this revenue impact.

3% (\$6,267,799) of the sales tax was collected and distributed to General Revenue. Under this proposal this amount would now be diverted to the Waterways Trust Fund.

	FY 2018 (10 Months)	FY 2019	FY 2020
Waterways Trust Fund Increase	\$5,223,166	\$6,267,799	\$6,267,799
General Revenue Decrease	\$5,223,166	\$6,267,799	\$6,267,799

Vessel and Outboard Motor Title Fees, Title Penalty Fees, and Registration Fees

In fiscal year 2016 there was \$499,389 in title fees and \$159,433 in title penalty fees collected on vessels and outboard motors and distributed to General Revenue. Under this proposal this amount would now be diverted to the Waterways Trust Fund.

	FY 2018 (10 Months)	FY 2019	FY 2020
Waterways Trust Fund Increase	\$549,018	\$658,822	\$658,822
General Revenue Decrease	\$549,018	\$658,822	\$658,822

ASSUMPTION (continued)

In fiscal year 2016 there was \$4,855,352 in water-craft decal fees (certificate of number fees) collected. Under this proposal the first \$2,000,000 would now be diverted to the Waterways Trust Fund.

\$46,474 in outboard motor decal fees was collected and distributed to General Revenue. Under this proposal this amount would now be diverted to the Waterways Trust Fund.

	FY 2018 (10 Months)	FY 2019	FY 2020
Waterways Trust Fund Increase	\$1,705,395	\$2,046,474	\$2,046,474
General Revenue Decrease	\$1,705,395	\$2,046,474	\$2,046,474

In fiscal year 2016 there was \$17,554 in processing fees collected on vessel and outboard motor transactions by the central office. Under this proposal this amount would now be diverted to the Waterways Trust Fund.

	FY 2018 (10 Months)	FY 2019	FY 2020
Waterways Trust Fund Increase	\$14,628	\$17,554	\$17,554
General Revenue Decrease	\$14,628	\$17,554	\$17,554

Summary:

	FY 2018 (10 Months)	FY 2019	FY 2020
Marine State Sales Tax	\$5,223,166	\$6,267,799	\$6,267,799
Marine Title Fees, Penalties	\$ 549,018	\$ 658,822	\$ 658,822
Marine Registration Fees	\$1,705,395	\$2,046,474	\$2,046,474
Marine Processing Fees	\$ 14,628	\$ 17,554	\$ 17,554
TOTAL	\$7,492,207	\$8,990,649	\$8,990,649

Officials at the **Department of Transportation (DOT)** state the following regarding this proposal:

DOT assumes there will be approximately \$5,600,000 in revenue from this proposal according to the Department of Revenue's reporting of fiscal year 2015 boat dealer three percent General Sales and Use Tax and marine fees.

ASSUMPTION (continued)

Officials from the **Office of Administration, Division of Budget and Planning (B&P)** assume this proposal creates the Waterways Trust Fund and requires certain fees and the sales tax from boats and outboard motors to be deposited in the newly created fund. B&P notes that section 68.080 requires the first \$1M collected annually from the certificate of number fee imposed by Section 306.030, RSMo, is to be distributed to the Waterways Trust Fund; however, the language in Section 306.030, RSMo, states that the first \$2M of collections are to be deposited into the Waterways Trust Fund. For the purposes of this fiscal note, B&P assumes that \$2M will be directed into the Waterways Trust Fund rather than GR.

Based on information from the DOR, B&P estimates that this proposal would decrease GR by \$7.4M in FY 2018 and by \$8.8M in FY 2019 and thereafter, until August 28, 2027.

Table 1 shows the impacts to GR and the Waterways Trust Fund.

Fund	FY 2018	FY 2019	FY 2020
General Revenue	(\$7,360,000)	(\$8,830,000)	(\$8,830,000)
Waterways Trust Fund	\$7,360,000	\$8,830,000	\$8,830,000

Officials from the **Department of Public Safety - Missouri Highway Patrol** assume this proposal appears to replace the Motorboat Fund with a new Waterways Trust Fund. This will have an impact on General Revenue from the overall state perspective but not from the Highway Patrol's perspective. The proposal does not specify that the Highway Patrol will have the ability to spend from this fund; therefore, the Highway Patrol anticipates no fiscal impact.

Officials from the **Office of the State Treasurer** assume the proposal will have no fiscal impact on their organization.

For purposes of this fiscal note, **Oversight** will use the Department of Revenue's estimates.

Oversight notes no new fees result from this legislation, rather existing fees are being redistributed.

§ Section 68.035 - **Oversight** notes that according to this proposal, moneys deposited into the Waterways Trust Fund are required to be used for grants to local port authorities.

ASSUMPTION (continued)

Section B - **Oversight** notes that Section B of the proposal terminates Section 68.080 on August 28, 2027 (FY 2028).

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE FUND			
<u>Cost - DOR</u> Programming costs	(\$19,440)	\$0	\$0
<u>Loss - Certain fees and the sales tax from boats and outboard motors going to Waterways Trust Fund instead of General Revenue</u>	<u>(\$7,492,207)</u>	<u>(\$8,990,649)</u>	<u>(\$8,990,649)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$7,511,647)</u>	<u>(\$8,990,649)</u>	<u>(\$8,990,649)</u>
WATERWAYS TRUST FUND			
<u>Revenue - MoDOT</u> Certain fees and the sales tax from boats and outboard motors	\$7,492,207	\$8,990,649	\$8,990,649
<u>Transfer Out - MoDOT</u> § Section 68.035 - Funds to be distributed to local port authorities in the form of grants	<u>(\$7,492,207)</u>	<u>(\$8,990,649)</u>	<u>(\$8,990,649)</u>
ESTIMATED NET EFFECT TO THE WATERWAYS TRUST FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
LOCAL PORT AUTHORITIES			
<u>Transfer In - Grants distributed from Waterways Trust Fund</u>	<u>\$7,492,207</u>	<u>\$8,990,649</u>	<u>\$8,990,649</u>
ESTIMATED NET EFFECT TO LOCAL PORT AUTHORITIES	<u>\$7,492,207</u>	<u>\$8,990,649</u>	<u>\$8,990,649</u>

FISCAL IMPACT - Small Business

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

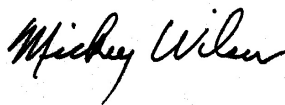
FISCAL DESCRIPTION

This proposal creates the Waterways Trust Fund. The proceeds of specified state sales taxes and fees collected by the Department of Revenue, as well as any gifts, contributions, grants, or bequests received by the state for the fund, will be deposited in the trust fund for use by Missouri Highways and Transportation Commission for grants to local port authorities or regional port coordination agencies. The Waterways Trust Fund will expire 10 years from the effective date.

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
Department of Transportation
Office of Administration - Budget and Planning
Department of Public Safety - Missouri Highway Patrol
Office of the State Treasurer



Mickey Wilson, CPA

Ross Strobe

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