

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3213-01
Bill No.: HB 1256
Subject: Taxation and Revenue - Property; Licenses - Motor Vehicle; Motor Vehicles;
Department of Revenue
Type: Original
Date: January 16, 2020

Bill Summary: This proposal modifies provisions relating to personal property tax obligations and motor vehicle, trailer, and boat registrations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	(\$347,933)	(\$321,603)	(\$323,656)
Total Estimated Net Effect on General Revenue	(\$347,933)	(\$321,603)	(\$323,656)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Blind Pension Fund	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on Other State Funds	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	5 FTE	5 FTE	5 FTE
Total Estimated Net Effect on FTE	5 FTE	5 FTE	5 FTE

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 2021	FY 2022	FY 2023
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

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

§301.025.1

Removal of subsection 1, eliminates the requirement to witness verification of paid personal property tax receipt(s), non-assessment, or equivalent exemption statement for the applicant prior to the issuance or renewal of state registration license.

Changing §301.025.2 to §301.025.1

This subsection allows a County Collector or Collector-Treasurer to request the Department suspend a vehicle's registration for failure to pay personal property tax. Such requests are submitted to and processed by the department manually. It is assumed, County Collectors and Collector-Treasurers will exercise their authority to suspend a vehicle owner's registration due to unpaid personal property taxes.

Using the above assumption, if the Department receives notification to suspend 1% of the current 7 million vehicle registration records for noncompliance of personal property tax payment, there will be an increase in the manual suspension of vehicle registrations and generation and mailing of 70,000 letters by the Department. Also, manual processing of these suspensions and answering customer's inquiries will require an increase of **5 FTE** (3 processing, 2 phone/correspondence inquiry).

Likewise, customers with suspended registrations will be forced to visit a license office to have their vehicle suspension reinstated or new registration issued.

Administrative Impact

It is assumed the Department may be ordered by the Circuit Court to reinstate or sustain the vehicle registration suspension.

With the assumption of 70,000 suspension letters to be issued, each letter will cost the Department \$0.84 (letter @ \$0.29, postage @ \$.55). Total cost to the Department equates to **\$58,800** per year.

ASSUMPTION (continued)

Administrative Impact (continued)

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

- Write the business requirements, hold and attend design meetings, create test cases, complete user acceptance testing, and be responsible for post deployment testing.

FY2021 - Motor Vehicle Bureau

Administrative Analyst I	80 hrs. @ \$14.70 per hr.	= \$ 1,176
Management Analysis Spec I	250 hrs. @\$18.42 per hr.	= \$ 4,605
Management Analysis Spec II	80 hrs. @ \$20.57 per hr.	= \$ 1,645
Revenue Processing Tech II	5 @ 30,504 per yr.	= \$ 127,100
Revenue Manager	20 hrs. @ \$20.59 per hr.	= \$ 412
Total		<u>\$ 134,938</u>

Letter Cost	\$ 20,300
Postage Cost	<u>\$ 38,500</u>
	\$ 58,800

FY2022 - Motor Vehicle Bureau

Revenue Processing Tech. II	5 @ 30,504 per yr.	= \$ 154,045
-----------------------------	--------------------	--------------

Letter Cost	\$ 20,300
Postage Cost	<u>\$ 38,500</u>
	\$ 58,800

FY2023 - Motor Vehicle Bureau

Revenue Processing Tech. II	5 @ 30,504 per yr.	= \$ 155,586
-----------------------------	--------------------	--------------

Letter Cost	\$ 20,300
Postage Cost	<u>\$ 38,500</u>
	\$ 58,800

Oversight does not have any information to the contrary in regards to DOR's assumptions; therefore, Oversight will reflect DOR's costs for five additional FTE on the fiscal note. Oversight will not reflect the administrative costs that DOR has indicated that do not require FTE.

ASSUMPTION (continued)

DOR notes OA-ITSD services will be required at a cost of **\$41,040** in FY 2021 (432 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.

Officials from the **Office of Administration - Budget and Planning** assume this proposal has no direct impact on their organization, has no direct impact on general and total state revenues and will not impact the calculation pursuant to Article X, Section 18(e).

Officials from the **Department of Transportation** and **Department of Public Safety - Missouri Highway Patrol** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes that the agencies mentioned above have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Officials from the **State Tax Commission (STC)** assume this proposal will have an unknown fiscal impact as the proposal removes Section 301.025, RSMo, which in current law requires a proof of paid tax receipt for the previous tax year. Compliance in the absence of a requirement and its fiscal impact would be unknown.

STC notes \$945 million was collected in personal property taxes for motor vehicles and boats in 2018.

Officials from the **Cape Girardeau County Collector** assume the fiscal impact of not requiring a paid personal property tax receipt to license a vehicle, boat, etc. would be huge for the Collector's Office. The costs could increase by the thousands as the office would be required to force tax payments through license suspension.

Officials from the **Polk County Collector of Revenue** assume no one will pay if there is no enforcement as a result of this proposal. The fiscal impact would be unknown.

Oversight assumes some vehicle/vessel owners will not pay their personal property tax in a timely manner if not required to do so in order to register their vehicle/vessel; therefore, Oversight will reflect a negative "Unknown" fiscal impact to local political subdivisions (and the state's Blind Pension) for additional enforcement efforts and lost personal property tax revenue.

ASSUMPTION (continued)

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other county collectors were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE FUND			
<u>Cost - DOR p. 4</u>			
Personal services (5 FTE) (assuming 1%)	(\$127,100)	(\$154,045)	(\$155,586)
Fringe benefits	(\$90,210)	(\$108,758)	(\$109,270)
Expense and equipment	<u>(\$30,783)</u>	<u>\$0</u>	<u>\$0</u>
<u>Total Costs - DOR</u>	(\$248,093)	(\$262,803)	(\$264,856)
Total FTE Change - DOR	5 FTE	5 FTE	5 FTE
 <u>Cost - DOR - OA-ITSD services p. 5</u>	 (\$41,040)	 \$0	 \$0
 <u>Cost - DOR - letter p. 3</u>	 (\$20,300)	 (\$20,300)	 (\$20,300)
 <u>Cost - DOR - postage p. 3</u>	 (\$38,500)	 (\$38,500)	 (\$38,500)
 ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	 <u>(\$347,933)</u>	 <u>(\$321,603)</u>	 <u>(\$323,656)</u>
 Estimated Net FTE Change to the General Revenue Fund	 5 FTE	 5 FTE	 5 FTE
 BLIND PENSION FUND			
 <u>Loss - potential loss of personal property tax revenue from changes</u>	 <u>(Unknown)</u>	 <u>(Unknown)</u>	 <u>(Unknown)</u>
 ESTIMATED NET EFFECT TO THE BLIND PENSION FUND	 <u>(Unknown)</u>	 <u>(Unknown)</u>	 <u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss</u> - potential loss of personal property tax revenue from changes	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - County Collectors - additional enforcement efforts p. 5	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

License offices could see an increase in processing of personal property tax registration reinstatements as a result of this proposal.

FISCAL DESCRIPTION

This bill repeals the requirement that an applicant for a motor vehicle registration must provide a personal property tax receipt or certified statement before a registration will be issued.

The bill also repeals the requirement that an applicant for a vessel certificate of number or registration must provide a personal property tax receipt or certified statement before a registration will be issued.

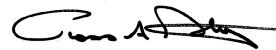
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning
State Tax Commission
Department of Transportation
Department of Public Safety - Missouri Highway Patrol
Cape Girardeau County Collector
Polk County Collector of Revenue



Julie Morff
Director
January 16, 2020



Ross Strobe
Assistant Director
January 16, 2020