

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4966S.01I
 Bill No.: SB 1015
 Subject: Boats and Watercraft; Department of Commerce and Insurance; Insurance -
 Automobile; Motor Vehicles; Department of Revenue; Taxation and Revenue -
 Sales and Use; Transportation
 Type: Original
 Date: March 21, 2022

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
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 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
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 2023	FY 2024	FY 2025
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 144.027.1

Officials from the **Department of Revenue (DOR)** state this section 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.

DOR notes this section also 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.

DOR notes this section also changes the period to claim the sales tax credit from one hundred eighty days to two years from the date of payment by an insurance company for a total loss claim on a replacement motor vehicle, trailer, boat or outboard motor.

Section 144.027.2

DOR notes this section 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.

DOR notes this section also changes the period to claim the sales tax credit from one hundred eighty days to two years from the date of such loss as certified by a law enforcement agency for the replacement motor vehicle, trailer, boat or outboard motor as outlined in this section.

Administrative Impact

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

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

FY 2021 – Motor Vehicle Bureau

Associate Research/Data Analyst	180 hrs. @ \$18.87 per hr.	= \$3,397
Lead Admin Support Assistant	20 hrs. @ \$14.83 per hr.	= \$ 297
Administrative Manager	85 hrs. @ \$25.56 per hr.	= \$2,173
<u>Total</u>		<u>= \$5,867</u>

FY 2021 – Strategy and Communications Office

Associate Research/Data Analyst 30 hrs. @ \$18.87 per hr. = \$566

Total Costs \$6,433

Oversight assumes the Department of Revenue is provided with core funding to handle a certain amount of activity each year. Oversight assumes the DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process. Officials from the DOR assume the proposal will have no fiscal impact on their organization.

DOR also notes the proposed legislation may cause an increase in telephone inquiries, email correspondence, and refund request received by the DOR. If the volume is more significant than anticipated, additional FTE will be requested through the appropriation process.

The DOR 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.

DOR would be unable to determine if the unit involved in the insurance claim had been repaired previous to claiming a sales or use tax credit.

DOR 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

DOR notes the proposed legislation extends the sales tax credit period from one-hundred eighty days to two years from the date of payment by an insurance company for a total loss claim or the loss of a vehicle as a result of theft or a casualty loss as certified by a law enforcement agency. The DOR has no way of determining how this will impact the amount of sales tax credit used, and the department currently does not have a method to determine the number of total loss, theft or casualty loss claims have been filed. The implementation of this legislation will be dependent on the updating and integration of the Department's Motor Vehicle and Driver Licensing system. The cost associated with the Departments Motor Vehicle and Drivers Licensing system update and integration is \$105 million. While a funding source is currently in place, it is unknown if sufficient revenue will be secured from this funding source for the complete system integration. If the DOR does not receive sufficient funding for this system integration project, additional funding will be requested through the appropriations process.

In FY 2021, there were 152,002 total motor vehicle, ATV, trailer, boat, and outboard motor title transactions in which the sales tax credit was given. The DOR cannot separately identify those transactions where the one hundred eighty day sales tax credit was given or the total loss 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 DOR issued 16,689 motor vehicle sales tax refunds in FY 2021. The proposed legislation would result in an increase in motor vehicle sales tax refunds in an unknown amount.

DOR assumes this legislation will result in an unknown loss in state and local motor vehicle sales tax collected which should be minimal. DOR believes the impact will be less than \$1 million.

Officials from the **Office of Administration - Budget and Planning** note this proposal would extend the sales tax credit for motor vehicle, trailer, boat, and outboard motors that are replaced due to theft or casualty loss from 180 days (6 months) to two years.

Based on information provided by DOR, during FY21 the total value in motor vehicle, ATV, boats, and trailers that was claimed for the credit was \$1,833,283,931; for an estimated state tax credit of \$77,456,246 ($\$1,833,283,931 \times 4.225\%$) and an estimated local credit of \$73,881,342 ($\$1,833,283,931 \times 4.03\%$). B&P notes that the local sales tax rate of 4.03% is based on the average population weighted local sales tax rate for 2021.

B&P notes that it is unknown how many of the current 180-day credits are taken for replacements due to theft or casualty loss. In addition, it is unknown how many more credits may be taken during the additional year and half granted.

Therefore, this proposal may reduce state and local revenues by an unknown amount.

Officials from the **Missouri Department of Conservation** assume this proposal will have an unknown fiscal impact but greater than \$250,000. The 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 increase in sales and use tax collected would increase revenue to the Conservation Sales Tax funds. However, the initiative is very complex and may require adjustments to Missouri sales tax law which could cause some downside risk to the Conservation Sales Tax. The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Oversight notes that the 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 thus

MDC=s sales taxes are constitutional mandates. Therefore, Oversight will reflect the B&P's and DOR's estimates of impact on the fiscal note.

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 revenues as shown by DOR for the purpose of this fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
STATE ROAD BOND FUND (0319)			
<u>Revenue Reduction – sales tax credits §144.027 p. 3-6</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>
<u>FISCAL IMPACT – State Government (continued)</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
CONSERVATION FUND (0609)			
<u>Revenue Reduction – sales tax credits §144.027 p. 3-6</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 p. 3-6</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>
SCHOOL DISTRICT TRUST FUND (0688)			
<u>Revenue Reduction – sales tax credits §144.027 p. 3-6</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 2023 (10 Mo.)	FY 2024	FY 2025
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.

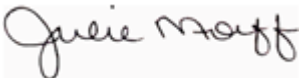
FISCAL DESCRIPTION

Under current law, the owner of a 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 an insured loss was a total loss, provided that the vehicle has not been repaired, and extends the availability of the sales tax allowance on replacements from 180 days to 2 years.

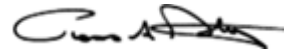
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Missouri Department of Conservation
Department of Revenue
Office of Administration - Budget and Planning



Julie Morff
Director
March 21, 2022



Ross Strope
Assistant Director
March 21, 2022