

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1849S.01I
 Bill No.: SB 493
 Subject: Taxation and Revenue - Property; Motor Vehicles
 Type: Original
 Date: April 10, 2023

Bill Summary: This proposal modifies provisions relating to the assessment of motor vehicles.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue	\$0	(Unknown, less than \$300,000)	(Unknown, less than \$300,000)
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Blind Pension Fund (0621)*	\$0	\$0	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	(Unknown)

***Oversight** assumes the fiscal impact to the Blind Pension Fund could reach the \$250,000 threshold

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
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 2024	FY 2025	FY 2026
Local Government	\$0	\$0	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would change the assessment method for motor vehicles. B&P notes that the Blind Pension Trust fund levies a \$0.03 per \$100 valuation property tax. B&P does not have enough information to estimate the potential revenue impact to the Blind Pension Trust Fund or local revenues. B&P defer to STC for the administrative impact.

Officials from the **State Tax Commission (STC)** note this has an unknown fiscal impact on local taxing jurisdictions such as school districts, counties, cities who rely on property tax assessments as a source of revenue. The bill would require additional FTE for the State Tax Commission to receive the Manufacturer Suggested Retail Price (MSRP) from a vendor and then

configure that data to fit the multiple assessment programs used in the state. The cost of the data is unknown as well as the cost of licensing for each county in the state.

STC notes the bill allows for all currently assessed vehicles to use a previously assessed value in the depreciation schedule, but the MSRP would have to be obtained for each new vehicle and used vehicle purchased from outside of the state by Vehicle Identification Number. The current system uses average trade in value listed in the October issue of the National Automobile Dealers Association guide and that value will be less than the starting value of MSRP in most cases which could cause an increase in assessments. The use of a depreciation schedule would require that the vehicle values decrease each year regardless of the true market values which could cause a decrease in the assessments generated. The bill also requires all of the software used in the counties to meet minimum standards which could require a cost to some counties for upgrades.

Based on a response from a potential vendor, the STC assumes the cost of the MSRP data and additional FTE will be less than \$300,000. The cost of licensing for each county in the state is unknown.

Oversight is unsure when the STC will incur the additional costs and require the additional FTE. Therefore, Oversight will reflect this fiscal impact to the STC in fiscal years 2025 and 2026.

Oversight notes in the table below per the Department of Revenue’s Motor Vehicles [report](#), the number and percentage of vehicles currently registered in Missouri by model year:

Model Year	Registered Vehicles	% of Total Registered Vehicles
2001 & earlier	1,094,850	17.43%
2002	140,861	2.24%
2003	166,174	2.65%
2004	184,191	2.93%
2005	206,588	3.29%
2006	202,920	3.23%
2007	230,266	3.67%
2008	214,023	3.41%
2009	164,059	2.61%
Total	2,603,932	41.46%

The **County Employees’ Retirement Fund** indicates that this proposal would likely result in reductions in contribution revenue to CERF of an unknown amount annually. A certain portion of the moneys that are used to fund the County Employees’ Retirement Fund is tied to the collection of property taxes. Data is not available to quantify how changes to motor vehicle assessments would impact contribution revenue but CERF assumes there would be a negative impact.

Officials from the **Howell County Assessor** assume there may be a minimal impact in revenue during the initial implementation of the provisions contained in this bill. In Howell County the impact is estimated to be less than \$25,000.

The county notes this protects the citizens from the fluctuations in the automobile market and establishes a consistent methodology for valuing vehicles and will not harm local revenues.

Officials from the **Lincoln County Assessor** assume the cost for software updates could be substantial for Assessors and the STC

Officials from the **Ste Genevieve County Assessor** estimate the revenue loss if vehicles 20 yrs+ will be assessed at a \$300 market value / \$100 assessed value at \$38,704.60 for total revenue lost for the county and \$657.98 loss in revenue to the assessment fund.

Officials from the **Adair County SB40 Board** note the county board currently has approximately \$104M in Personal Property Assessed Valuation taxed at .1456 for an estimated Personal Property Tax revenue of \$150,000. The local assessor estimated 61% of all vehicles are over 10 years old. It's difficult to calculate what the impact will be with a depreciation schedule of 20 years. The most important statement to understand is that ANY loss in property tax revenues WILL result in a reduction of essential services to people with intellectual and developmental disabilities in Adair County. Types of services that could be significantly reduced include sheltered employment, supported employment, transition services and other collaborative programs with the public schools, educational courses such as citizenship, relationships, healthcare self-advocacy, etc. Also, the agency's contribution of 20% share to leverage another 20% from state and 60% from federal Medicaid waiver dollars ('Partnership for Hope funds') would be reduced.

Officials from the **St Louis City SB40 Board** note per data from their county assessor, they assume the following fiscal impacts:

		Before Legislation	Taxes
Vehicles	2013-2022	518,399,258	\$42,851,401
	2012 & Older	85,768,109	\$7,089,678
		604,167,367	\$49,941,079
		After Legislation	Taxes
		213,195,500	\$17,622,953
Difference from changes to vehicles		390,971,867	\$32,318,126

Total 2022 PP Value at 33.33%		1,259,655,321	
Vehicles		604,167,367	
All other Personal Property	@ 33.33%	655,487,954	\$54,183,290
	Market Value	1,966,463,861	
	@ 31%	609,603,797	\$50,390,459
	AV decrease (non-vehicles)	45,884,157	\$3,792,830

Loss in taxes from change to 31% assessment rate and applying vehicle depreciation schedule	\$32,318,126
Loss in taxes from change to 31% assessment on personal property other than vehicles	\$3,792,830
Loss from Legislation to all taxing jurisdictions	\$36,110,956
City Portion (loss)	\$7,226,909
Developmentally Disabled (loss)	\$598,493
Loss to Collector of Revenue Fund	\$541,664
Loss to Assessment Fund	\$225,693

Officials from the **Department of Social Services** and the **Office of Administration** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum or are at a fixed rate. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law), rather it would result in an actual loss of revenue.

Based on information provided by the Office of the State Auditor, Oversight notes, in 2020, there were over 2,500 tax entities with 4,000 different tax rates. Of those entities, 2,980 tax rate ceilings were below the entities' statutory or voter approved maximum tax rate and 1,098 tax rate ceilings were at the entities' statutory or voter approved maximum rate. (These numbers do not include entities, which use a multi-rate method and calculate a separate tax rate for each subclass of property.)

Oversight notes this proposal would impact the assessed value of personal property over time. Oversight doesn't have enough information to estimate a fiscal impact to the Blind Pension Fund or to local political subdivisions from these changes. Therefore, Oversight will show an unknown loss in property tax revenue beginning in FY 2026.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
<u>Costs</u> – State Tax Commission – §137.115 – Software/programming and additional FTE costs	\$0	<u>(Unknown, less than \$300,000)</u>	<u>(Unknown, less than \$300,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	\$0	<u>(Unknown, less than \$300,000)</u>	<u>(Unknown, less than \$300,000)</u>

<u>FISCAL IMPACT – State Government (continued)</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
BLIND PENSION FUND			
<u>Revenue Reduction</u> - §137.115.9 – motor vehicles - reduction in property taxes from change in personal property assessed valuation method	\$0	\$0	(Unknown)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	\$0	\$0	<u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs</u> – Counties – §137.115 - to administer the changes in assessment from this proposal	\$0	\$0	(Unknown)
<u>Revenue Reduction</u> - §137.115.9 – motor vehicles - reduction in property taxes from change in personal property assessed valuation method	\$0	\$0	<u>(Unknown)</u>

ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>(Unknown)</u>
---	-------------------	-------------------	-------------------------

FISCAL IMPACT – Small Business

Small businesses that own personal property could see a reduction in property taxes.

FISCAL DESCRIPTION

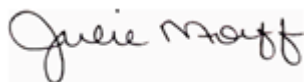
Current law requires assessors to use the trade-in value published in the October issue of the National Automobile Dealers' Association Official Used Car Guide to determine the true value of motor vehicles for the purposes of property tax assessments.

This act instead requires assessors to use the manufacturer's suggested retail price as depreciated using a twenty-year depreciation table provided in the act. When the manufacturer's suggested retail price data is not available from an approved source or the assessor deems it not appropriate for a vehicle, the assessor may obtain a manufacturer's suggested retail price from a source that he or she deems reliable and shall apply the depreciation schedule provided by the act.


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

Office of Administration - Budget and Planning
State Tax Commission
Office of Administration
Department of Social Services
County Employees Retirement Fund (CERF)
Howell County Assessor
Lincoln County Assessor
Ste Genevieve County Assessor
St Louis City SB40 Board
Adair County SB40 Board



Julie Morff
Director
April 10, 2023



Ross Strobe
Assistant Director
April 10, 2023