

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4028S.01I
 Bill No.: SB 799
 Subject: Taxation and Revenue - Property; Motor Vehicles
 Type: Original
 Date: January 15, 2024

Bill Summary: This proposal modifies provisions relating to motor vehicle assessments.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	\$0	(Unknown, less than \$200,000)	(Unknown, less than \$200,000)
Total Estimated Net Effect on General Revenue	\$0	(Unknown, less than \$200,000)	(Unknown, less than \$200,000)

*Administrative costs to the State Tax Commission

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Blind Pension Fund (0621)	\$0	Could Exceed (\$690,640)	Could Exceed (\$690,640)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	Could Exceed (\$690,640)	Could Exceed (\$690,640)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue (State Tax Commission)	1 or more FTE	1 or more FTE	1 or more FTE
Total Estimated Net Effect on FTE	1 or more FTE	1 or more FTE	1 or more FTE

- 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 2025	FY 2026	FY 2027
Local Government	\$0	(Unknown, More or Less than \$154,978,688)	(Unknown, More or Less than \$154,978,688)

FISCAL ANALYSIS

ASSUMPTION

Section 137.115 - Motor Vehicle Assessments

Officials from the **Office of Administration - Budget and Planning (B&P)** for tax year 2024, assume this proposal would allow county assessors to use a national publication other than the currently required NADA guide when determining the market value for motor vehicles. The State Tax Commission (STC) shall determine which publication all assessors will use and the assessors may then use the values published in any of the three previous October issues.

For tax years beginning with 2025, each county assessor must use the MSRP and then depreciate the motor vehicle value following the proposed 15-year depreciation schedule. B&P notes that the definition of motor vehicle includes all property required to be licensed and registered plus farm tractors and machinery which are capable of moving on the roads at low speeds. For used vehicles, county assessors are to take the 2024 market value and apply the appropriate depreciation rate(s) going forward.

Using sales data published by the U.S. Bureau of Transportation Statistics, B&P was able to determine the average price for new vehicles from 1990 – 2022. B&P then used published articles to estimate the average sales price for model year 2023 and 2024 vehicles. Based on research, B&P was able to obtain a depreciation schedule similar to the one historically shown in the NADA publications. In addition, DOR provided data to B&P with the number of motor vehicles registered in Missouri by model year. Table 1 shows the comparison between the estimated current depreciation schedules used in NADA versus the proposed schedule for model years 2004 - 2024. B&P notes that the amounts shown are the percentage of market value remaining after depreciation.

Table 1: Proxy and Proposed Depreciation Schedule

Model Year	Current Remaining Value	Proposed Remaining Value	Difference	Model Year	Current Remaining Value	Proposed Remaining Value	Difference
2024	85.0%	85.0%	0.0%	2013	26.1%	24.8%	(1.3%)
2023	75.0%	75.0%	0.0%	2012	23.5%	20.8%	(2.7%)
2022	67.5%	67.5%	0.0%	2011	21.2%	16.8%	(4.4%)
2021	61.7%	60.7%	(1.0%)	2010	19.1%	12.8%	(6.3%)
2020	54.7%	54.7%	0.0%	2009	17.2%	10.0%	(7.2%)
2019	49.2%	49.2%	0.0%	2008	15.4%	0.1%	(15.3%)
2018	44.3%	44.3%	0.0%	2007	13.9%	0.1%	(13.8%)
2017	39.9%	39.9%	0.0%	2006	12.5%	0.1%	(12.4%)

2016	35.9%	35.9%	0.0%	2005	11.2%	0.1%	(11.1%)
2015	32.3%	32.3%	0.0%	2004	10.0%	0.1%	(9.9%)
2014	29.0%	29.0%	0.0%				

**2003 and older estimates calculated, but not shown.*

Therefore, B&P estimates that under this proposal newer model cars would not be depreciated significantly different from under current law. However, the depreciation schedules diverge at year 11 (ex: model year 2013) with a peak difference at year 16 (ex: model year 2008).

B&P then took the original sales data and applied the current depreciation schedule and the proposed schedule to determine the difference in market values. B&P notes that motor vehicles are assessed at 33.33% of their market value, while farm machinery is assessed at 12% of market value. Table 2 shows the estimated average current and proposed assessed values for model years 2004 – 2024.

Table 2: Estimated Current and Proposed Average Assessed Value

Model Year	Est. Current Assessment	Est. Proposed Assessment	Difference	Model Year	Est. Current Assessment	Est. Proposed Assessment	Difference
2024	\$13,561	\$13,561	\$0	2013	\$3,077	\$2,923	(\$154)
2023	\$12,130	\$12,130	\$0	2012	\$2,729	\$2,415	(\$314)
2022	\$10,512	\$10,512	\$0	2011	\$2,518	\$1,995	(\$523)
2021	\$9,348	\$9,197	(\$151)	2010	\$2,255	\$1,511	(\$744)
2020	\$7,156	\$7,156	\$0	2009	\$1,505	\$875	(\$630)
2019	\$6,232	\$6,232	\$0	2008	\$1,359	\$9	(\$1,350)
2018	\$5,524	\$5,524	\$0	2007	\$1,249	\$9	(\$1,240)
2017	\$4,942	\$4,942	\$0	2006	\$1,119	\$9	(\$1,110)
2016	\$4,414	\$4,414	\$0	2005	\$926	\$8	(\$918)
2015	\$3,920	\$3,920	\$0	2004	\$803	\$8	(\$795)
2014	\$3,431	\$3,431	\$0				

**2003 and older estimates calculated, but not shown.*

Using data published by STC, B&P estimates that the statewide average personal property tax rate is 6.8%. B&P notes that the Blind Pension Trust Fund levies a statewide property tax of \$0.03 per \$100 value. Table 3 shows the estimated state and local revenue impact by model year.

Table 3: Estimated Revenue Impact by Model Year

Model Year	# Registered MVs	Est. Blind Pension Loss	Est. Local Revenue Loss	Model Year	# Registered MVs	Est. Blind Pension Loss	Est. Local Revenue Loss
2024	52,714	\$0	\$0	2012	256,959	(\$23,126)	(\$5,434,683)
2023	232,867	\$0	\$0	2011	203,955	(\$32,633)	(\$7,181,256)
2022	260,711	\$0	\$0	2010	188,125	(\$41,388)	(\$9,425,063)
2021	268,383	(\$13,419)	(\$2,726,771)	2009	144,865	(\$27,524)	(\$6,145,173)
2020	284,473	\$0	\$0	2008	215,123	(\$88,200)	(\$19,554,681)
2019	314,653	\$0	\$0	2007	202,670	(\$74,988)	(\$16,922,945)
2018	329,918	\$0	\$0	2006	205,992	(\$67,977)	(\$15,395,842)
2017	339,742	\$0	\$0	2005	180,319	(\$50,489)	(\$11,145,517)
2016	335,671	\$0	\$0	2004	187,009	(\$44,882)	(\$10,010,592)
2015	319,574	\$0	\$0	2003	145,544	(\$29,109)	(\$6,575,678)
2014	304,196	\$0	\$0	2002 and older	1,223,819	(\$183,573)	(\$41,695,513)
2013	266,632	(\$13,332)	(\$2,764,974)	Total Estimated Impact		(\$690,640)	(\$154,978,688)

Therefore, B&P estimates that this proposal could reduce revenues to the Blind Pension Trust Fund by up to \$690,640 and local revenues by up to \$154,978,688. B&P notes that this provision would affect tax year 2025 assessments, which are not collected until FY26.

However, because this proposal requires assessors to depreciate used vehicles from their 2024 published market value, and not from their original MSRP, the full estimated revenue loss will likely not occur immediately. Rather, the revenue loss should occur gradually over the next 15 years – as assessments are transitioned from current values less depreciation to original value less depreciation.

B&P notes the following about the above estimates:

- Sales data reflects actual sales and not MSRP. B&P notes that MSRP is typically higher (sometimes significantly) than the original actual sales price paid. Therefore, it is possible that newer vehicles could be assigned a higher market value (and hence assessed value and property tax liability) than they would under current law. This would result in a lower revenue loss than the amount shown above.
- This proposal would set all older vehicles (model year 2024 and prior) to their tax year 2024-estimated market value. B&P notes that tax year 2024 assessments are not yet complete. Therefore, in order to provide estimates, B&P applied the depreciation schedule to each model year’s average original sales price. B&P notes that 2024 determined market values could vary significantly from the proxy value that B&P has

estimated. This could result in a larger or smaller revenue loss than the amounts shown above.

- The historical depreciation schedule is based on pre-COVID depreciation patterns. B&P is unable to determine how quickly motor vehicle depreciation will return to pre-COVID levels. Therefore, actual revenue loss could be different from the amount shown above.
- These estimates are based on averages.
- These estimates do not include farm tractors or machinery. B&P does not have depreciation data on farm tractors or machinery.
- The composition of vehicle types, model years, etc. in any given location could result in significantly different revenue impacts than the estimates shown above.

Officials from the **State Tax Commission** 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 estimated to be less than \$200,000 as well as the cost of licensing for each county in the state.

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.

Officials from the **Lincoln County Assessor** assume there are over 40% of the county's personal accounts that have vehicles over 15 years of age that will basically pay no taxes at all - this will cause a tax burden shift to the real property owners in replacement of lost revenues from eliminating so much assessed value.

Officials from the **Lafayette County Clerk** note while difficult to determine the actual cost to the county, it is clear that software updates or new software would be required. The estimated cost would be anywhere from \$6,000 - 20,000 plus a reoccurring annual maintenance for said software. It is impossible to determine if the county would benefit positively in taxation from the proposed changes, but there would certainly be a negative impact in expenses to the county.

Officials from the **Adair County SB40 DD Board** note they currently receive approximately \$145,000 in personal property tax revenue for essential services and supports for the county's citizens with developmental disabilities. These funds have been utilized to assist with

employment, transportation, residential services support, medical needs, therapies, general relief needs, respite and other services. The funding that we provide is funding of last resort, meaning that there is no other source of funding for these needs for individuals and their families.

The critical point is that ANY loss of tax levy revenues for SB40 Boards is going to result in a reduction in funding of these essential services for the population of citizens with the highest rate of unemployment, the highest rate of poverty and typically the greatest priority of need.

The Adair County Assessor has indicated that approximately 61% of personal property is 10 years of age or older. The board estimated that if depreciation tables were calculated on a fifteen year table, the impact would be an estimated loss of \$36,000. If the depreciation tables were based upon a depreciation table of any greater length, the estimates of tax revenues lost would be reduced, but the exact amount is unknown.

Estimated Personal Prop Valuation (33%)	\$301,764,070
2023 Personal Property Assessed Valuation	\$99,582,143
SB40 Tax rate	0.1457
Estimated Current Personal Prop Tax	\$145,091
Estimated Personal Property 10 Years or older	61%
Estimated Impact to 15 year Depreciation Tables	-25%
Est Impact to Tax Revenues d/t Depreciation Tables	(\$36,273)
Est NEW Personal Prop Tax with NEW Depreciation Tables	\$108,818

Officials from the **Office of the State Auditor** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Officials from the **Department of Revenue (DOR)** assume no impact to DOR. Property tax assessment is handled by the State Tax Commission and the County Assessors

Officials from the **City of Kansas City, Phelps County Sheriff, Branson Police Dept, Kansas City Police Dept.**, and the **St. Louis County Police Dept** 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.

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed the bill. The bill has no direct fiscal impact to the Joint Committee on Public Employee Retirement.

The JCPER's review of this legislation indicates it will not affect retirement plan benefits as defined in Section 105.660(9).

Oversight notes this proposal would impact the assessed value of personal property over time.

This reduction could also reduce the calculation used to determine the maximum allowed revenue.

Oversight notes property tax revenues are designed to be revenue neutral from year to year. The tax rate is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Therefore, this proposal may result in a higher tax rate relative to current law thus distributing more of the tax burden to real property owners (as personal property assessed values decrease).

Oversight notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum, and some 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.

Oversight notes this proposal has an emergency clause.

Oversight notes officials from B&P assume the proposal will have a direct fiscal impact on state and local revenues. Oversight does not have any information to the contrary. Therefore, Oversight will reflect B&P's estimated impact in the fiscal note.

Oversight notes B&P's estimated impact does not include farm tractors or machinery. Oversight is unable to estimate the quantity and current value of farm machinery that may be impacted by this proposal. Oversight notes per the STC [website](#), agricultural property makes up 1.45% of the total assessed value, or about \$1,959,656,045. Oversight will show a negative unknown impact for this provision.

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 2026 and 2027.

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 2025	FY 2026	FY 2027
GENERAL REVENUE			
<u>Costs – State Tax Commission – §137.115 – Software/programming and additional FTE costs p. (6)</u>	\$0	(Unknown, less than \$200,000)	(Unknown, less than \$200,000)

<u>FISCAL IMPACT – State Government</u>	FY 2025	FY 2026	FY 2027
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	(Unknown, less than <u>\$200,000</u>)	(Unknown, less than <u>\$200,000</u>)
BLIND PENSION FUND			
<u>Revenue Reduction</u> - §137.115.9 – motor vehicles - reduction in property taxes from change in personal property assessed valuation method p. (5)	\$0	(Unknown, More or Less than \$690,640)	(Unknown, More or Less than \$690,640)
<u>Revenue Change</u> - §137.115.9 – farm machinery - reduction in property taxes from change in personal property assessed valuation method (7)	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	Could Exceed <u>(\$690,640)</u>	Could Exceed <u>(\$690,640)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs</u> – Counties – §137.115 - to administer the changes in assessment from this proposal p. (6)	\$0	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - §137.115.9 – motor vehicles - reduction in property taxes from change in personal property assessed valuation method p. (5)	\$0	(Unknown, More or Less than \$154,978,688)	(Unknown, More or Less than \$154,978,688)
<u>Revenue Change</u> - §137.115.9 – farm machinery - reduction in property taxes from change in personal property assessed valuation method (7)	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025	FY 2026	FY 2027
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	(Unknown, More or Less than \$154,978,688)	(Unknown, More or Less than \$154,978,688)

FISCAL IMPACT – Small Business

Small businesses that own personal property could see a reduction in property taxes. Small businesses that own real property could see an increase 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. For the 2024 tax year, this act requires the State Tax Commission to require an assessor to use such publication or the Kelley Blue Book, Edmunds, or another similar publication, and allows the assessor to use the current or any of the three immediately previous years' October issue of such publication.

For all tax years beginning on or after January 1, 2025, this act requires assessors to use the manufacturer's suggested retail price as depreciated using a fifteen 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 act contains an emergency clause.

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 (B&P)
 Department of Revenue (DOR)
 State Tax Commission
 Joint Committee on Public Employee Retirement
 Lincoln County Assessor
 Office of the State Auditor
 Lafayette County Clerk

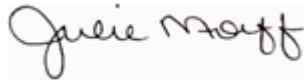
L.R. No. 4028S.011

Bill No. SB 799

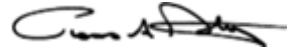
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City of Kansas City
Phelps County Sheriff
Branson Police Dept
Kansas City Police Dept.
St. Louis County Police Dept
Adair County SB40 DD Board



Julie Morff
Director
January 15, 2024



Ross Strobe
Assistant Director
January 15, 2024