

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4214H.03C
 Bill No.: HCS for HB 1690
 Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Property, Real and Personal; Motor Vehicles; County Officials; State Tax Commission
 Type: Original
 Date: April 11, 2024

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

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 of the State Tax Commission

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

***Oversight** notes to reach a revenue impact of \$250,000 in the Blind Pension Fund would require a change in assessed value of approximately \$833,000,000, approximately a 4.0% change in the assessed value of all motor vehicles. Therefore, Oversight assumes it is possible this proposal could impact the Blind Pension by an amount that could exceed the \$250,000 threshold.

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
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 2025	FY 2026	FY 2027
Local Government	\$0	(Unknown – potentially substantial)	(Unknown – potentially substantial)

***Oversight** notes this impact could be substantially reduced if taxing authorities are able to increase the levy to other taxpayers to make up for the loss of property tax revenue of resulting from this proposal.

FISCAL ANALYSIS

ASSUMPTION

Section 137.115 Motor Vehicle Assessment Valuations

Officials from the **Office of Administration - Budget and Planning (B&P)** note for tax year 2025, this proposal would allow county assessors to use a national publication other than the currently required NADA guide when determining the trade-in value for motor vehicles. The STC shall select the publication and shall be the registered user, granting access to county assessors. STC shall not rebid the publication for at least three years.

This proposal could impact revenues to the Blind Pension Trust Fund and local funds. However, B&P does not have enough information to determine what those impacts may be given the language issue noted below:

- **Minimum Assessed Value** – This proposal sets the minimum assessed value for motor vehicles at \$300. B&P notes that this would be equivalent to setting the minimum market value for such vehicles at \$900.09 (\$300 assessed minimum / 33.33% assessment rate). B&P further notes that there are a significant number of vehicles that have a true market value below \$900. Therefore, this proposal would result in higher property taxes for those owners.
- **Depreciation Schedule** – This proposal also contains a fifteen-year depreciation schedule that is to be applied to the trade-in value that is published annually. B&P notes that the trade-in value constantly changes and already has market depreciation built in. Typically, a depreciation schedule would be applied to the original market value. Therefore, it is not clear how or why county assessors would apply the provided depreciation table to the published trade-in value amounts.

Officials from the **State Tax Commission (STC)** assume 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.

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.

Officials from the **Department of Social Services** note 137.115.9 is amended to require the assessors to use a nationally recognized automotive trade publication selected by the state tax commission to determine the true value in money for motor vehicles. The assessor shall not use a value that is greater than the average trade-in value for such motor vehicle without performing a physical inspection of the motor vehicle. For all tax years beginning on or after January 1, 2025, the assessor shall apply the following depreciation schedule to the trade-in value of the motor vehicle:

<u>Year since manufacture</u>	<u>Percent Depreciation</u>
<u>Current</u>	<u>15</u>
<u>1</u>	<u>25</u>
<u>2</u>	<u>32.5</u>
<u>3</u>	<u>39.3</u>
<u>4</u>	<u>45.3</u>
<u>5</u>	<u>50.8</u>
<u>6</u>	<u>55.7</u>
<u>7</u>	<u>60.1</u>
<u>8</u>	<u>64.1</u>
<u>9</u>	<u>67.7</u>
<u>10</u>	<u>71</u>
<u>11</u>	<u>75.2</u>
<u>12</u>	<u>79.2</u>
<u>13</u>	<u>83.2</u>
<u>14</u>	<u>87.2</u>

<u>15</u>	<u>90</u>
<u>Greater than 15</u>	<u>Minimum value of \$300</u>

Blind Pension (BP) is funded from 0.03% of each \$100 assessed valuation of taxable property. Assessing vehicles based on the suggested depreciation schedule could impact the amount received for the BP fund. According to the [2023 State Tax Commission Annual Report](#), \$20,892,870,233 of the \$149,939,479,696 total assessed valuation for the State of Missouri comes from vehicles including recreational vehicles. Therefore, approximately \$6,267,861 [$(\$20,892,870,233/100)*0.03 = \$6,267,861.07$, rounded down] in property tax revenue is collected from motor vehicles.

Motor vehicles are currently assessed based on a recommended guide of information for determining the true value of motor vehicle and includes vehicles that are older than fifteen years old in the assessment. According to the State Tax Commission, the proposed change to assess vehicles based on a depreciation schedule could result in a reduction in tax revenue from motor vehicles of up to 45%. Therefore, FSD estimates that the potential impact to the BP fund would be a decrease of up to \$2,820,537 ($\$6,267,861*0.45 = \$2,820,537.45$, rounded down).

Calendar Year	True Value of Motor Vehicles Assessed at Current Rate of 33 1/3%	Assessment Rate	Assessed Value of Motor Vehicles	Tangible Personal Property Tax Collections for the BP fund (0.03% of each \$100 assessed)	Percentage Reduction in Motor Vehicle Assessment	Reduction in Collections for the BP Fund
2025	\$62,684,879,187	33 1/3%	\$20,892,870,233	\$6,267,861	45%	\$2,820,537

Therefore, FSD estimates that the fiscal impact to the BP fund as a result of this legislation would be \$2,820,537 in SFY 26 and ongoing.

Officials from the **City of Kansas City** assume this legislation will have a negative fiscal impact of an indeterminate amount.

Officials from the **Osage Co. R-I School District** assume the following impacts:

10% reduction in personal property tax = \$23,406 loss in revenue

20% reduction = \$46,812 loss in revenue

30% reduction = \$70,218 loss in revenue

Officials from the **Callaway County SB 40 Board** assume this legislation will have a fiscal impact of an indeterminate amount.

In response to a previous version (HB 1690), officials from the **City of Osceola** assume this legislation will have a fiscal impact of an indeterminate amount.

In response to a previous version (HB 1690), officials from the **Lincoln County Assessor** assume this proposal will affect overall values some with possible decreases as well.

In response to a previous version (HB 1690), officials from the **Fruitland Area Fire Protection District (FRUI) - Cape Girardeau** note the district relies on property and personal property taxes for their annual operating budget. If passed, this would have an impact on their income, how much of an impact is hard to calculate but it would have impact.

In response to a previous version (HB 1690), officials from the **Ozarks Technical Community College (OTC)** performed a high-level analysis of the impact of the proposed legislation using motor vehicle assessment data provided by Greene County from 2022.

It appears the implementation of this legislation would result in a roughly 3.1% decrease in property tax revenue to OTC, which based on anticipated 2023-2024 revenues would equal roughly \$576,000.

Officials from the **County Employees' Retirement Fund (CERF)** assume 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 are 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.

Oversight notes according to the [Alliance for Automotive Innovation](#), The Missouri average age of vehicles is 13.2 years; The national average is 12.2.

Oversight notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property ((Total Assessed Value/100)*.03). Because this proposal limits the assessed value portion of this equation, the Blind Pension Fund will experience a decrease in revenue relative to what it would have received under current law.

Oversight notes per the State Tax Commission [website](#), the total assessed value for vehicles in 2022 was \$20,664,235,127, therefore Oversight estimates about \$6,199,271 (($\$20,664,235,127/100$) * 0.03) in property tax revenue was collected from motor vehicles for the Blind Pension Fund.

Oversight notes to reach a revenue impact of \$250,000 in the Blind Pension Fund would require a change in assessed value of approximately \$833,000,000. This would be approximately a 4.0% change in the total assessed value of motor vehicles. Therefore, Oversight assumes it is possible this proposal could impact the Blind Pension by an amount that could exceed the \$250,000 threshold.

Oversight notes this proposal could impact the assessed value of personal property over time. Therefore, Oversight will show an unknown loss in property tax revenue to local political subdivisions and the Blind Pension Fund beginning in FY 2026.

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 may require additional administrative costs for the State Tax Commission. Oversight is unsure when the STC will incur the additional costs. 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.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Newton County Health Department, Phelps County Sheriff, Kansas City Police Department, Branson Police Department, Office of the State Auditor, Joint**

Committee on Public Employee Retirement, Daniel Boone Regional Library, 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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
<u>Costs – State Tax Commission – §137.115 – Software/programming and additional FTE costs</u>	\$0	(Unknown, less than \$200,000)	(Unknown, less than \$200,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	\$0	(Unknown, less than \$200,000)	(Unknown, less than \$200,000)
BLIND PENSION FUND			
<u>Revenue change - §137.115 - change in property taxes from change in personal property assessed valuation</u>	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	\$0	(Unknown)	(Unknown)

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Costs</u> – Counties – §137.115 - to administer the changes in assessment from this proposal	\$0	(Unknown)	(Unknown)
<u>Revenue change</u> - §137.115 – change in property taxes from change in personal property assessed valuation	<u>\$0</u>	(Unknown – potentially substantial)	(Unknown – potentially substantial)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>(Unknown – potentially substantial)</u>	<u>(Unknown – potentially substantial)</u>

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

The proposed legislation modifies provisions relating to motor vehicle assessment valuations.

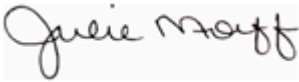
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

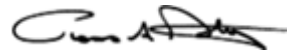
Office of Administration - Budget and Planning
 Department of Social Services
 City of Kansas City
 Osage Co. R-I School District
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 Ozarks Technical Community College (OTC)
 County Employees’ Retirement Fund (CERF)
 Office of the Secretary of State (SOS)

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St. Louis County Police Department
Daniel Boone Regional Library
Branson Police Department



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April 11, 2024



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April 11, 2024