COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4028S.02C
Bill No.: SCS for SB 799
Subject: Taxation and Revenue - Property; Motor Vehicles
Type: Original
Date: February 2, 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 of 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 ($1,547,756)	Could Exceed ($1,547,756)
Total Estimated Net Effect on Other State Funds	**$0**	**Could Exceed ($1,547,756)**	**Could Exceed ($1,547,756)**

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 All 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 ($347,295,650)**	**(Unknown, More or Less than ($347,295,650)**

FISCAL ANALYSIS

ASSUMPTION

Section 137.115 - Motor Vehicle Assessments

Officials from the **Office of Administration - Budget and Planning (B&P)** note for tax year 2024, 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 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 12-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%	8.0%	(18.1%)
2023	75.0%	78.0%	3.0%		2012	23.5%	0.1%	(23.4%)
2022	67.5%	71.0%	3.5%		2011	21.2%	0.1%	(21.1%)
2021	61.7%	64.0%	2.3%		2010	19.1%	0.1%	(19.0%)
2020	54.7%	57.0%	2.3%		2009	17.2%	0.1%	(17.1%)
2019	49.2%	50.0%	0.8%		2008	15.4%	0.1%	(15.3%)
2018	44.3%	43.0%	(1.3%)		2007	13.9%	0.1%	(13.8%)
2017	39.9%	36.0%	(3.9%)		2006	12.5%	0.1%	(12.4%)

2016	35.9%	29.0%	(6.9%)	2005	11.2%	0.1%	(11.1%)
2015	32.3%	22.0%	(10.3%)	2004	10.0%	0.1%	(9.9%)
2014	29.0%	15.0%	(14.0%)				

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

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	$943	($2,134)
2023	$12,130	$12,616	$486	2012	$2,729	$12	($2,717)
2022	$10,512	$11,057	$545	2011	$2,518	$12	($2,506)
2021	$9,348	$9,697	$349	2010	$2,255	$12	($2,243)
2020	$7,156	$7,457	$301	2009	$1,505	$9	($1,496)
2019	$6,232	$6,333	$101	2008	$1,359	$9	($1,350)
2018	$5,524	$5,362	($162)	2007	$1,249	$9	($1,240)
2017	$4,942	$4,459	($483)	2006	$1,119	$9	($1,110)
2016	$4,414	$3,565	($849)	2005	$926	$8	($918)
2015	$3,920	$2,670	($1,250)	2004	$803	$8	($795)
2014	$3,431	$1,775	($1,656)				

**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 Impact	Est. Local Revenue Impact	Model Year	# Registered MVs	Est. Blind Pension Impact	Est. Local Revenue Impact
2024	52,714	$0	$0	2012	256,959	($210,706)	($47,008,079)
2023	232,867	$34,930	$7,619,408	2011	203,955	($152,966)	($34,415,367)
2022	260,711	$41,714	$9,568,094	2010	188,125	($126,044)	($28,412,519)
2021	268,383	$26,838	$6,307,001	2009	144,865	($65,189)	($14,592,251)

2020	284,473	$25,603	$5,766,268
2019	314,653	$9,440	$2,139,640
2018	329,918	($16,496)	($3,599,405)
2017	339,742	($47,564)	($11,051,807)
2016	335,671	($83,918)	($19,190,311)
2015	319,574	($121,438)	($26,895,348)
2014	304,196	($152,098)	($33,917,854)
2013	266,632	($170,644)	($38,312,352)

2008	215,123	($88,200)	($19,554,681)
2007	202,670	($74,988)	($16,922,945)
2006	205,992	($67,977)	($15,395,842)
2005	180,319	($50,489)	($11,145,517)
2004	187,009	($44,882)	($10,010,592)
2003	145,544	($29,109)	($6,575,678)
2002 and older	1,223,819	($183,573)	($41,695,513)
Total Estimated Impact		**($1,547,756)**	**($347,295,650)**

Therefore, B&P estimates that this proposal could reduce revenues to the Blind Pension Trust Fund by up to $1,547,756 and local revenues by up to $347,295,650. 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 transition from current values less depreciation to original value less depreciation.

<u>B&P notes the following about the above estimates:</u>

- Sales date 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.
- <u>These estimates do not include farm tractors or machinery</u>. 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 **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 **State Tax Commission** 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. <u>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.</u>

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. <u>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.</u>

Officials from the **Department of Social Services** assume Section 137.115.9 is amended to require the assessors to use a nationally recognized automotive trade publication to determine the value of motor vehicles for the tax year ending on or before December 31, 2024. The state tax commission shall determine which publication shall be used. Beginning January 1, 2025, assessors are required to use the manufacturer's suggested retail price for all manufactured motor vehicles as acquired annually by the state tax commission for the original value in money of all motor vehicle assessment valuations. The following twelve-year depreciation schedule shall be applied to each manufacturer's suggested retail price:

<u>Year</u>	<u>Percent Depreciation</u>
<u>Current</u>	<u>15</u>
<u>1</u>	<u>22</u>
<u>2</u>	<u>29</u>
<u>3</u>	<u>36</u>
<u>4</u>	<u>43</u>
<u>5</u>	<u>50</u>

6	57
7	64
8	71
9	78
10	85
11	92
Greater than 12	99.9

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 a motor vehicle and includes vehicles that are greater than twelve years of age in the assessment. According to the State Tax Commission (STC), the proposed change to assessed vehicles based on a depreciation schedule of 15 years in the previous version of this legislation could result in a reduction in tax revenue from motor vehicles of up to 50%. Due to the short timeframe for a response on this version, FSD was unable to obtain an estimate of the reduction of tax revenue from the STC. Therefore, based on the estimated 50% reduction of tax revenue for a depreciation table of 15 years, FSD made the assumption that the reduction in tax revenue could be up to 60% when applying a twelve year depreciation table. Therefore, FSD estimates that the potential impact to the BP fund would be a decrease of up to $3,760,717 ($6,267,861*0.60 = $3,760,716.64, rounded up).

Tax Collection 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
2026	$62,684,879,187	33 1/3%	$20,892,870,233	$6,267,861	60%	$3,760,717

According to the 2023 State Tax Commission Annual Report, $557,802,853 of the $149,939,479,696 total assessed valuation for the State of Missouri comes from Farm Machinery total assessed valuation for the State of Missouri comes from vehicles including recreational vehicles. Therefore, approximately $167,341 [($557,802,853/100)*0.03 = $167,340.86, rounded up] of the tax revenue collected in the BP fund is from farm machinery. The Family Support Division (FSD) assumes that the reduction in tax revenue for farm machinery will be approximately the same as motor vehicles of up to 60%. Therefore, FSD estimates that the tax revenue from farm machinery collected in the BP fund could decrease up to $100,405 ($167,341*0.60 = $100,404.51, rounded down).

Tax Collection Year	True Value of Farm Machinery Assessed at Current Rate of 12%	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
2026	$4,648,357,108	12%	$557,802,853	$167,341	60%	$100,405

Therefore, FSD estimates that the fiscal impact to the BP fund as a result of this legislation would be $3,861,122 ($3,760,717 + $100,405) in SFY 26 and ongoing.

Officials from the **City of Kansas City** assume the proposed legislation has a negative fiscal impact of an indeterminate amount.

Officials from the **Lincoln County Assessor** note at last check the county's vehicles, over 50% of them were 12 years of age or older - so according to the new depreciation schedule would place a zero value for those vehicles hence eliminating a solid portion of assessed value to the overall total assessed used to set tax levies.

The loss of assessed values could and probably will cause levy increases to all taxing entities that aren't at their ceiling to makeup or lost revenues due to the schedule change.

The overall impact could relate to $100's of thousands to millions of dollars in tax revenue depending on the districts involved.

Officials from the **Perry County Assessor** assume the estimated tax losses for a 12 year depreciation could exceed $500,000, The cost to update software is unknown but could exceed $10,000. The cost to send out tax bills once a vehicle reaches the 99% depreciation could exceed $5,000 due to costs for mailing a bill exceeding the tax bill itself. And, to complete the calculations for this bill, the county would need very specific programming.

Officials from the **County Employees' Retirement Fund (CERF)** has reviewed SCS/SB 799 (4028S.02C). CERF's review of SCS/SB 799 would indicate that it 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.

Officials from the **Callaway County SB 40 Board** assume the proposed legislation has a fiscal impact of an indeterminate amount.

Officials from the **Newton County Health Department** assume the proposal will have no fiscal impact on their organization.

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 overall 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 (section 137.115).

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.

FISCAL IMPACT – State Government	FY 2025	FY 2026	FY 2027
GENERAL REVENUE			
Costs – State Tax Commission – §137.115 – Software/programming and additional FTE costs - p. (6)	$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			
Revenue Reduction - §137.115.9 – motor vehicles - reduction in property taxes from change in personal property assessed valuation method - p. (5)	$0	(Unknown, Could exceed ($1,547,756)	(Unknown, Could exceed ($1,547,756)
Revenue Change - §137.115.9 – farm machinery - reduction in property taxes from change in personal property assessed valuation method - p. (5)	$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON BLIND PENSION FUND	**$0**	**Could Exceed ($1,547,756)**	**Could Exceed ($1,547,756)**

FISCAL IMPACT – Local Government	FY 2025	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
Costs – Counties – §137.115 - to administer the changes in assessment from this proposal - p. (6)	$0	(Unknown)	(Unknown)
Revenue Reduction - §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 ($347,295,650)	(Unknown, More or Less than ($347,295,650)
Revenue Change - §137.115.9 – farm machinery - reduction in property taxes from change in personal property assessed valuation method - p. (5)	$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**$0**	**(Unknown, More or Less than ($347,295,650)**	**(Unknown, More or Less than ($347,295,650)**

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 twelve-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
Department of Revenue
Department of Social Services
State Tax Commission
City of Kansas City
Lincoln County Assessor
County Employees' Retirement Fund (CERF)
Callaway County SB 40 Board
Perry County Assessor
Newton County Health Department

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