

MISSOURI STATE AUDITOR'S OFFICE

FISCAL NOTE (26-038)

Subject

Initiative petition from Bradley Ketcher regarding a proposed amendment to Chapter 407 of the Revised Statutes of Missouri. (Received March 31, 2025)

Date

April 18, 2025

Description

This proposal would amend Chapter 407 of the Revised Statutes of Missouri.

The amendment is to be voted on in November 2026.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's Office**, the **Department of Agriculture**, the **Department of Commerce and Insurance**, the **Department of Conservation**, the **Department of Corrections**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Higher Education and Workforce Development**, the **Department of Labor and Industrial Relations**, the **Department of Mental Health**, the **Department of National Guard**, the **Department of Natural Resources**, the **Department of Public Safety**, the **Department of Revenue**, the **Department of Social Services**, the **Department of Transportation**, the **Governor's Office**, the **Missouri House of Representatives**, the **Missouri Senate**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Office of the State Public Defender**, the **Secretary of State's Office**, the **State Treasurer's Office**, **Adair County**, **Andrew County**, **Atchison County**, **Audrain County**, **Barry County**, **Barton County**, **Bates County**, **Benton County**, **Bollinger County**, **Boone County**, **Buchanan County**, **Butler County**, **Caldwell County**, **Callaway County**, **Camden County**, **Cape Girardeau County**, **Carroll County**, **Carter County**, **Cass County**, **Cedar County**, **Chariton County**, **Christian County**, **Clark County**, **Clay County**, **Clinton County**, **Cole County**, **Cooper County**, **Crawford County**, **Dade County**, **Dallas County**, **Daviess County**, **DeKalb County**, **Dent County**, **Douglas County**, **Dunklin County**, **Franklin County**, **Gasconade County**, **Gentry County**, **Greene County**, **Grundy County**, **Harrison County**, **Henry County**, **Hickory County**, **Holt County**, **Howard County**, **Howell County**, **Iron County**, **Jackson County**, **Jasper County**, **Jefferson County**, **Johnson County**, **Knox County**, **Laclede County**, **Lafayette County**, **Lawrence County**, **Lewis County**, **Lincoln County**, **Linn County**, **Livingston County**, **Macon County**, **Madison County**, **Maries County**, **Marion County**, **McDonald County**, **Mercer County**, **Miller County**, **Mississippi County**, **Moniteau County**, **Monroe County**, **Montgomery County**, **Morgan County**, **New Madrid County**, **Newton County**, **Nodaway County**, **Oregon County**, **Osage County**, **Ozark County**, **Pemiscot County**, **Perry County**, **Pettis County**, **Phelps County**, **Pike County**, **Platte County**, **Polk County**, **Pulaski County**, **Putnam County**, **Ralls County**, **Randolph County**, **Ray County**, **Reynolds County**, **Ripley County**, **Saline County**, **Schuyler County**, **Scotland County**, **Scott County**, **Shannon County**, **Shelby County**, **St. Charles County**, **St. Clair County**, **St. Francois County**, **St. Louis County**, **Ste. Genevieve County**, **Stoddard County**, **Stone County**, **Sullivan County**, **Taney County**, **Texas County**, **Vernon County**, **Warren County**, **Washington County**, **Wayne County**, **Webster County**, **Worth County**, **Wright County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson City**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Mexico**, the **City of Raymore**, the **City of Springfield**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal School District #60**, **Jennings School District**, **Malta Bend R-V School District**, **Mehlville School District**, **Wellsville-Middletown R-1 School District**, **Metropolitan Community College**, **St. Louis Community College**, **State Technical College of Missouri**, **University of Missouri**, the **Missouri Municipal League**, and the **Municipal League of Metro St. Louis**.

Bradley Ketcher, www.unplugmusk.com, identified as a proponent of the proposal, provided information to the State Auditor's office.

Assumptions

Officials from the **Attorney General's Office** indicated no fiscal impact.

Officials from the **Department of Agriculture** indicated no fiscal impact.

Officials from the **Department of Conservation** indicated no fiscal impact.

Officials from the **Department of Corrections** indicated no fiscal impact.

Officials from the **Department of Economic Development** indicated no fiscal impact.

Officials from the **Department of Elementary and Secondary Education** indicated no fiscal impact.

Officials from the **Department of Health and Senior Services** indicated no fiscal impact.

Officials from the **Department of Higher Education and Workforce Development** indicated no fiscal impact.

Officials from the **Department of Labor and Industrial Relations** indicated no fiscal impact.

Officials from the **Department of Mental Health** indicated no fiscal impact.

Officials from the **Department of National Guard** indicated no fiscal impact.

Officials from the **Department of Natural Resources** indicated no fiscal impact.

Officials from the **Department of Public Safety** indicated no fiscal impact.

Officials from the **Department of Revenue** provided the following response and indicated the following information based on follow up questions regarding the corporate tax portion of the estimate:

That was the 5-year average collected from the identified manufacturers. Therefore, the annual loss could be \$92,400 if all would choose to leave the state.

4/7/2025

This amendment if adopted would clarify the definition of a motor vehicle franchisor and a motor vehicle franchisee. The amendment would no longer allow a motor vehicle franchisor, the manufacturer of new motor vehicles, to sell vehicles directly to consumers. Only a motor vehicle franchisee who purchases vehicles from a manufacturer would be allowed to sell newly manufactured cars to consumers.

Currently there are manufacturers in Missouri that sell motor vehicles directly to consumers. Those companies would be required to decide if they wish to close their business and leave the state or contract with a motor vehicle franchisee. If they choose to contract with a motor vehicle franchisee, they could choose an existing franchisee or a new franchisee. If they choose to contract with a franchisee there would be no additional fiscal impact to the state.

Should the manufactures all decide to leave the state, DOR notes this is not expected to impact sales tax. Sales tax is collected based on the residence of consumer purchasing the vehicle. If a consumer decides to purchase a vehicle regardless of whether the vehicle is sold in Missouri or in another state, the sales tax is remitted based on their residence. Therefore, as long as the manufacture still sells the vehicle, the sales tax would still be owed regardless of the location of the sale.

DOR notes that some manufactures have service departments. This constitutional amendment would allow those service departments to continue operation. Should the service departments continue to operate in Missouri there will be no impact to state revenue from their staying. Should the manufacturers decide to close their service departments then state revenue could be impacted.

Withholding tax is collected from employees and remitted to DOR by an employer. Should these manufacturers close their dealership and/or their service departments there is a potential loss of withholding tax. DOR notes that the amount of withholding tax remitted is determined by the financial situation of each individual employee. DOR notes that over the last five years these manufacturers have remitted withholding tax totaling \$1,906,327 on all their employees. This would include both those that work in the dealership and those in the service departments. Withholding tax could be decreased by \$381,265 annually should all these employees no longer work in Missouri. DOR is unable to determine the number of employees who would no longer

work in Missouri and which ones would continue working in the service departments or seek employment with another Missouri employer and continue to remit withholding tax.

DOR notes that additionally, these manufacturers may owe corporate income tax. Should the manufacturers choose to leave the state we could expect a general revenue loss of less than \$462,000 from corporate income tax no longer collected. Should they choose to have their service departments remain operational we would expect to still receive corporate income tax resulting in less loss. Should they choose to contract with a motor vehicle franchisee, DOR would still assume collection of the corporate tax.

Officials from the **Department of Social Services** indicated no fiscal impact.

Officials from the **Department of Transportation** indicated no fiscal impact.

Officials from the **Governor's Office** indicated no fiscal impact.

Officials from the **Missouri House of Representatives** indicated no fiscal impact.

Officials from the **Missouri Senate** indicated no fiscal impact.

Officials from the **Office of Administration** indicated no fiscal impact.

Officials from the **Office of State Courts Administrator** indicated no fiscal impact.

Officials from the **Office of the State Public Defender** indicated no fiscal impact.

Officials from the **Secretary of State's Office** indicated:

Each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Referendums are submitted to the people at the next general election. Article III section 52(b) of the Missouri Constitution authorizes the general assembly to order a special election for measures referred to the people. If a special election is called to submit a Referendum to a vote of the people, Section 115.063.2 RSMo. requires the state to pay the costs. The cost of the special election has been estimated to be \$8 million based on the cost of the 2024 primary and general election reimbursements.

The Secretary of State's office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

For the FY24 petitions cycle, the SOS estimates publication costs at \$60,000 per page. This amount is subject to change based on number of petitions received, length of those petitions and rates charged by newspaper publishers.

The Secretary of State's office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

If you have any questions, please contact Scott Pauley 573-526-0703.

Officials from the **State Treasurer's Office** indicated no fiscal impact.

Officials from **Bates County** indicated no fiscal impact.

Officials from **Clay County** indicated no fiscal impact.

Officials from **Greene County** indicated no fiscal impact.

Officials from **Macon County** indicated no fiscal impact.

Officials from **Madison County** indicated no fiscal impact.

Officials from **Pike County** indicated no fiscal impact.

Officials from **Randolph County** indicated no fiscal impact.

Officials from **Schuyler County** indicated no fiscal impact.

Officials from **Scotland County** indicated no fiscal impact.

Officials from **St. Clair County** indicated no fiscal impact.

Officials from **St. Louis County** indicated no fiscal impact.

Officials from **Sullivan County** indicated no fiscal impact.

Officials from **Wayne County** indicated no fiscal impact.

Officials from the **City of Kansas City** indicated no fiscal impact.

Officials from the **City of St. Louis** indicated no fiscal impact.

Officials from the **City of Wentzville** indicated no fiscal impact.

Officials from **Metropolitan Community College** indicated no fiscal impact.

Officials from **St. Louis Community College** indicated no fiscal impact.

Officials from **University of Missouri** indicated no fiscal impact.

Bradley Ketcher, www.unplugmusk.com, identified as a proponent of the proposal, provided the following information:

Many states currently ban Elon Musk/Tesla from selling cars in their states without any noticeable harm. Here is some background on those states: https://en.wikipedia.org/wiki/Tesla_US_dealership_disputes

If consumers do not buy a Tesla, they are almost certain to buy another car, even an electric car, from a Missouri/local dealer, resulting in no sales tax or other tax impact. Even if a customer buys a car from an out of state Tesla location, at registration in Missouri, sales tax would be collected. In summary, this initiative would have no impact of state and local tax revenues.

The State Auditor's office did not receive a response from the **Department of Commerce and Insurance, Adair County, Andrew County, Atchison County, Audrain County, Barry County, Barton County, Benton County, Bollinger County, Boone County, Buchanan County, Butler County, Caldwell County, Callaway County, Camden County, Cape Girardeau County, Carroll County, Carter County, Cass County, Cedar County, Chariton County, Christian County, Clark County, Clinton County, Cole County, Cooper County, Crawford County, Dade County, Dallas County, Daviess County, DeKalb County, Dent County, Douglas County, Dunklin County, Franklin County, Gasconade County, Gentry County, Grundy County, Harrison County, Henry County, Hickory County, Holt County, Howard County, Howell County, Iron County, Jackson County, Jasper County, Jefferson County, Johnson County, Knox County, Laclede County, Lafayette County, Lawrence County, Lewis County, Lincoln County, Linn County, Livingston County, Maries County, Marion County, McDonald County, Mercer County, Miller County, Mississippi County, Moniteau County, Monroe County, Montgomery County, Morgan County, New Madrid County, Newton County, Nodaway County, Oregon County, Osage County, Ozark County, Pemiscot County, Perry County, Pettis County, Phelps County, Platte County, Polk County, Pulaski County, Putnam County, Ralls County, Ray County, Reynolds County, Ripley County, Saline County, Scott County, Shannon County, Shelby County, St. Charles County, St. Francois County, Ste. Genevieve County,**

Stoddard County, Stone County, Taney County, Texas County, Vernon County, Warren County, Washington County, Webster County, Worth County, Wright County, the City of Cape Girardeau, the City of Columbia, the City of Jefferson City, the City of Joplin, the City of Kirksville, the City of Mexico, the City of Raymore, the City of Springfield, the City of St. Joseph, the City of Union, the City of West Plains, Cape Girardeau 63 School District, Hannibal School District #60, Jennings School District, Malta Bend R-V School District, Mehlville School District, Wellsville-Middletown R-1 School District, State Technical College of Missouri, the Missouri Municipal League, and the Municipal League of Metro St. Louis.

Fiscal Note Summary

The Department of Revenue estimates the proposal could result in the annual loss of up to \$473,665 in income and corporate tax revenue and if service departments closed an unknown impact to sales tax revenue. The other state governmental entities and local governmental entities estimate no costs or savings.