

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0973-06  
Bill No.: Perfected SCS for SB 196  
Subject: Business and Commerce; Taxation and Revenue – Sales and Use  
Type: Original  
Date: April 20, 2005

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown)*</b>	<b>(Unknown)*</b>	<b>(Unknown)*</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Various State Funds	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown)*</b>	<b>(Unknown)*</b>	<b>(Unknown)*</b>

\* – Estimated, in aggregate, to exceed \$100,000.  
 Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 4 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials with the **Department of Economic Development – Office of Public Counsel, Department of Economic Development – Public Service Commission, and Department of Natural Resources** assume this proposal would have no significant impact on their agencies.

Officials with the **Department of Revenue (DOR)** assume that this proposal expands the sales tax exemptions for utility expenses in material recovery plants. DOR assumes this proposal would have no administrative impact on its operations, but also assumes this legislation would result in an unknown decrease in state revenues.

**Oversight** assumes this proposal would reduced state and local sales tax revenues by an unknown amount. **Oversight** further assumes that with a significant manufacturing presence within the state, the loss to state revenues as a result of this proposal would exceed \$100,000.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<b>GENERAL REVENUE FUND</b>			
<u>Loss</u> – Sales Tax Exemption	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(Unknown)*</u></b>	<b><u>(Unknown)*</u></b>	<b><u>(Unknown)*</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<b>OTHER STATE FUNDS</b>			
<u>Loss</u> – Various State Funds Sales Tax Exemption	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>	<b><u>(Unknown)*</u></b>	<b><u>(Unknown)*</u></b>	<b><u>(Unknown)*</u></b>

\* – Estimated, in aggregate, to exceed \$100,000.

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<u>Loss</u> – Cities and Counties Sales Tax Exemption	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

FISCAL IMPACT - Small Business

This proposal would reduce the sales tax burden on small businesses engaged in or associated with material recovery processing.

## DESCRIPTION

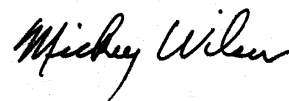
This legislation modifies the sales and use tax exemption definition of a material recovery processing plant. Under this proposal, a material processing plant means a facility that has as its primary purpose the recovery of materials into a useable product or a different form which is used in producing a new product and shall include a facility or equipment which is used exclusively for the collection of recovered materials for delivery to a material recovery processing plant, but shall not include motor vehicles used on highways. Material recovery is not the reuse of materials within a manufacturing process or the use of a product previously recovered.

This legislation further modifies the sales and use tax exemption to include electrical energy or gas, whether natural, artificial or propane, water, or other utilities which are ultimately consumed in connection with the manufacturing of cellular glass products or any material recovery product produced or processed by a material recovery processing plant.

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

Department of Revenue  
Department of Economic Development  
Office of Public Counsel  
Public Service Commission  
Department of Natural Resources



Mickey Wilson, CPA  
Director  
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