

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3127-01  
Bill No.: Perfected SB 629  
Subject: Transportation Dept.; Taxation and Revenue - Sales and Use; Contracts and Contractors  
Type: Original  
Date: February 22, 2006

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	\$0	(\$17,982,000)	(\$15,835,500)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>(\$17,982,000)</b>	<b>(\$15,835,500)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Road Fund	\$0	\$34,315,650	\$30,219,413
School District Trust	\$0	(\$5,994,000)	(\$5,278,500)
Conservation	\$0	(\$749,250)	(\$659,813)
Parks and Soil	\$0	(\$599,400)	(\$527,850)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$28,171,800</b>	<b>\$23,753,250</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</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 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Local Government</b>	<b>\$0</b>	<b>(\$8,991,000)</b>	<b>(\$7,917,750)</b>

**FISCAL ANALYSIS**

ASSUMPTION

Officials of the **Office of Administration, Division of Budget and Planning (BAP)** assume this bill would exempt contractors from paying sales tax on Missouri Department of Transportation (MoDOT) projects. This proposal will decrease General and Total State revenues. BAP defers to MoDOT to provide an estimate of this bill. This bill would have no impact on BAP.

Officials of the **Department of Transportation (MoDOT)** assume this legislation exempts contractors from paying sales tax on materials used in MoDOT projects. Section 144.062, RSMo currently exempts sales of personal property and materials used for the purpose of constructing, repairing, or remodeling facilities for counties, other political subdivisions and certain exempt entities from the state sales tax. This bill would add the Department of Transportation as an exempt entity. Therefore, materials could be purchased by a contractor for a MoDOT project on a tax-exempt basis.

The sales tax which contractors currently pay on materials purchased for MoDOT projects is included in the project cost which is paid by MoDOT. Assuming that contractors would reduce their project costs due to the ability to purchase materials on a tax-exempt basis, this bill would result in a cost savings for MoDOT.

ASSUMPTION (continued)

The proposed legislation would result in cost savings beyond the three-year period addressed by this fiscal note. An estimate for fiscal year 2010 is \$12,142,650.

Based on the 2005-2009 Statewide Transportation Improvement Program (STIP), which does not include Amendment 3 projects; ½ construction contracts labor, ½ materials; July 1, 2007 effective date; and sales tax rate of 4.225%, the cost savings were calculated as follows:

Fiscal Year	STIP Awards	% Materials	Materials Cost	Sales Tax Rate	Cost Savings
2007	\$1,198,800,000	50%	\$599,400,000	4.225%	\$25,324,650
2008	\$1,055,700,000	50%	\$527,850,000	4.225%	\$22,301,663
2009	\$574,800,000	50%	\$287,400,000	4.225%	\$12,142,650

Officials of the **Department of Revenue (DOR)** assume this legislation exempts contractors from paying sales tax on materials purchased for use in MoDOT projects. This legislation would have no administrative impact on DOR.

**Oversight** calculated the revenue impact to include an impact to cities and counties. **Oversight** assumes this proposal would create a saving of \$34.3 million in FY08 and \$30.2 million in FY09 for the Road Fund. Combined losses in the General Revenue Fund, School District Trust Fund, Conservation Fund, Parks and Soils Fund and local city/county funds equal the savings in the Road Fund for this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
<b>GENERAL REVENUE FUND</b>			
<u>Loss to General Revenue Fund</u>			
Exemption for MoDOT projects	\$0	(\$17,982,000)	(\$15,835,500)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>\$0</b>	<b>(\$17,982,000)</b>	<b>(\$15,835,500)</b>

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
<b>OTHER STATE FUNDS</b>			
<u>Savings to Road Fund</u>			
Exemption for MoDOT projects	\$0	\$34,315,650	\$30,219,413
<u>Loss to School District Trust Fund</u>			
Exemption for MoDOT projects	\$0	(\$5,994,000)	(\$5,278,500)
<u>Loss to Conservation Fund</u>			
Exemption for MoDOT projects	\$0	(\$749,250)	(\$659,813)
<u>Loss to Parks and Soil Funds</u>			
Exemption for MoDOT projects	<u>\$0</u>	<u>(\$599,400)</u>	<u>(\$527,850)</u>
<b>ESTIMATED NET EFFECT TO ALL OTHER STATE FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$26,973,000</u></b>	<b><u>\$23,753,250</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
<u>Loss to Cities</u>			
Exemption for MoDOT projects	\$0	(\$5,394,600)	(\$4,750,650)
<u>Loss to Counties</u>			
Exemption for MoDOT projects	<u>\$0</u>	<u>(\$3,596,400)</u>	<u>(\$3,167,100)</u>
<b>ESTIMATED NET EFFECT TO LOCAL GOVERNMENT</b>	<b><u>\$0</u></b>	<b><u>(\$8,991,000)</u></b>	<b><u>(\$7,917,750)</u></b>

FISCAL IMPACT - Small Business

Small businesses that sell to MoDOT would be expected to be impacted as a result of this proposal.

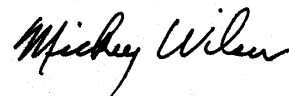
DESCRIPTION

This act exempts contractors from paying sales taxes on materials used in Department of Transportation projects. The sales tax exemption does not take effect until after June 30, 2007.

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  
Division of Budget and Planning  
Department of Transportation  
Department of Revenue



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Director  
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