

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4086-01
Bill No.: SB 1090
Subject: Revenue Department; Taxation and Revenue; Telecommunications.
Type: Original
Date: March 28, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government*	(Unknown)	(Unknown)	(Unknown)

* Expected to exceed \$100,000

FISCAL ANALYSIS

ASSUMPTION

In response to a similar proposal from this year (HB 1214), officials from the **Department of Revenue** assumed the proposal would not fiscally impact their agency

Officials from the **Office of Administration - Budget and Planning (BAP)** state the bill seeks to exempt from local sales tax, machinery, equipment, materials, supplies and utilities directly in the installation, construction or operations in radio and television broadcasting. BAP assumes there should be no added cost to their agency, however, there will be a substantial unknown loss of local revenues.

In response to a similar proposal from this year (HB 1214), officials from **St. Louis County** stated they are not able to quantify the direct loss due to the exemption of sales tax on television and radio broadcasting equipment because this level of detail is not provided in sales tax distribution data. However, as the exemption allowances continue to increase, St. Louis County suffers a fiscal impact.

Officials from the cities of **St. Louis, Kansas City and Springfield** as well as the counties of **Greene and Buchanan** did not respond to our request for fiscal impact.

ASSUMPTION (continued)

Oversight was unable to gather information directly relevant to the sales tax exemption created by this proposal. However, according to the Statistical Abstract of the United States 2005, the estimated expenses for radio and television broadcasting that were related to machinery, equipment, parts, materials, supplies in 2002 were:

Purchased materials, parts and supplies	\$ 316,000,000
Depreciation	\$3,045,000,000
Lease and Rental	<u>\$ 871,000,000</u>
TOTAL (for United States)	\$4,232,000,000

Taking 2% of this amount (Missouri's portion) gets an estimated amount of \$84,640,000 of such expenditures in Missouri. Multiplying this amount by an estimated 1.5% local sales tax rate yields a loss of revenue of \$1.27 million annually. Obviously, the actual amount could be much larger or smaller (there was no expense line of machinery, only the related lines 'depreciation' and 'lease and rental'), therefore, **Oversight** will assume the loss in tax revenue will be unknown, exceeding \$100,000 in a given year. Oversight also assumes the exemption applies local sales tax.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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CITIES AND COUNTIES

<u>Loss – Cities and Counties</u>			
Sales Tax Exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

ESTIMATED NET EFFECT TO CITIES AND COUNTIES*	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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* Expected to exceed \$100,000

FISCAL IMPACT - Small Business

Small radio or television businesses could be positively fiscally impacted by this proposal.

DESCRIPTION

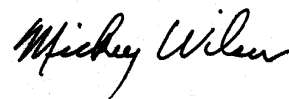
This act exempts machinery, equipment, parts, and the materials, supplies, and utilities required for the installation, construction, or operation of such machinery, or equipment purchased and used directly in television or radio broadcasting from sales and use tax.

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
Office of Administration - Budget and Planning
St. Louis County

NOT RESPONDING: Cities of St. Louis, Kansas City and Springfield; Counties of Greene and Buchanan



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Director
March 28, 2006