

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2425-01  
Bill No.: SB 585  
Subject: Business and Commerce; Taxation and Revenue - Sales and Use  
Type: Original  
Date: March 30, 2007

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Bill Summary: Would exempt certain products consumed in the manufacturing process from state and local sales and use tax.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
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 2008	FY 2009	FY 2010
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>

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 2008</b>	<b>FY 2009</b>	<b>FY 2010</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 FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

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## **FISCAL ANALYSIS**

### ASSUMPTION

Officials from the **Department of Conservation** (MDC) stated that the proposed legislation could have a fiscal impact on MDC funds. However, MDC is unable to provide an estimated impact and will rely on DOR for fiscal impact of this legislation.

Officials from the **Department of Natural Resources** (DNR) assume this proposal would authorize an exemption from state and local sales and use tax for the cost of utilities, chemicals, and materials used to produce a product. The DNR Parks and Soils Tax Fund is derived from a one-tenth of one percent sales and use tax. Therefore, any additional sales and use tax exemption would appear to be a loss to the Parks and Sales Tax Fund. The cost of utilities, chemicals, and materials used to produce a product is unknown; however, DNR would not anticipate a significant fiscal impact from this proposal.

Officials from the **Department of Revenue**, (DOR) the **Department of Economic Development, Office of Public Counsel and Public Service Commission**, and the **City of Centralia**, assume the proposal would have no fiscal impact on their organizations. DOR did not provide an estimate of the impact on state revenues.

Officials from the **Office of Administration, Division of Budget and Planning** did not respond to our request for information.

Officials from **Jefferson County** stated that there are several large manufacturing firms in their county and sales tax is the primary source of county revenue. Any exemption from sales tax revenue would reduce county revenues.

**Oversight** assumes this proposal would result in an unknown negative fiscal impact on the state's General Revenue Fund and other state funds which receive sales tax revenues, and on local governments.

**This proposal could decrease Total State Revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>GENERAL REVENUE</b>			
<u>Revenue reduction</u> – Sales Tax Exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<b>OTHER STATE FUNDS</b>			
<u>Revenue reduction</u> – School District Trust Fund			
Sales Tax Exemption	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> – Conservation Commission Fund			
Sales Tax Exemption	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> – Parks and Soil Fund			
Sales Tax Exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2008 (10 Mo.)	 FY 2009	 FY 2010
<b>LOCAL GOVERNMENT</b>			
<u>Revenue reduction</u> – Sales Tax Exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENT</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

FISCAL IMPACT - Small Business

Small businesses involved in manufacturing would have a direct impact from this proposal.

FISCAL DESCRIPTION

This proposal would exempt certain products consumed in the manufacturing process from state and local sales and use tax.

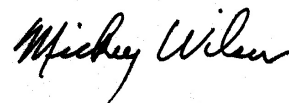
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Conservation  
Department of Economic Development  
    Office of the Public Counsel  
    Public Service Commission  
Department of Natural Resources  
Department of Revenue  
Jefferson County  
City of Centralia

NOT RESPONDING

**Office of Administration**  
**Division of Budget and Planning**



Mickey Wilson, CPA  
Director  
March 30, 2007