

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5269-01
Bill No.: SB 1205
Subject: Energy; Taxation and Revenue - Sales and Use; Telecommunications; Utilities
Type: Original
Date: March 28, 2008

Bill Summary: Would create a sales and use tax exemption for utilities, machinery and equipment purchased by certain businesses.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
School District Trust	(Unknown)	(Unknown)	(Unknown)
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
Parks, and Soil and Water	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

- 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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** assume this proposal would have no fiscal impact on their organization.

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would create a sales tax exemption for utilities, machinery, and equipment for certain businesses operating in mines. This proposal would reduce general and total state revenues, state dedicated funds, and local funds by an unknown amount.

Officials from the **Department of Natural Resources** (DNR) assume this proposal would create a sales and use tax exemption for all utilities purchased by a business operated in a mine. The Parks and Soils Tax is a one-tenth of one percent sales and use tax; therefore, any additional sales and use tax exemption cause an unknown loss to the Parks and Soils Fund. DNR assumes the Department of Revenue would be better able to estimate the amount of impact.

Officials from **St. Louis County**, the **City of Centralia**, **Linn State Technical College**, and the **Metropolitan Community Colleges** assume this proposal would have no fiscal impact on their organizations.

Officials from **Clinton County** and the **City of West Plains** assume this proposal would have an unknown negative impact on their revenues.

Oversight has researched the available information on businesses located in former underground mines and found several major business parks which would appear to qualify for this exemption. Oversight was not able to determine the amount of qualifying expenditures by these businesses and will assume for the purposes of this fiscal note that the amount of sales tax revenue would be unknown for state funds which receives sales taxes, as well as local governments.

This proposal would reduce total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
<u>Revenue reduction</u> - sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction</u> - sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue reduction</u> - sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PARKS, AND SOIL AND WATER FUNDS			
<u>Revenue reduction</u> - sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
LOCAL GOVERNMENTS			
<u>Revenue reduction - sales tax exemption</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact on small businesses which operate businesses located in mines.

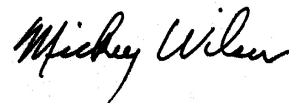
FISCAL DESCRIPTION

This proposal would exempt from sales tax all electrical energy, all gas whether natural, artificial, or propane, all water, all telecommunications services, and all other utilities, and all machinery and equipment used or consumed by a person operating a business in a mine that is not used for mining if such mine contains at least one million square feet of space that may be used for such business.

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 Natural Resources
Department of Revenue
St. Louis County
Clinton County
Centralia
West Plains
Linn State Technical College
Metropolitan Community Colleges



Mickey Wilson, CPA
Director
March 28, 2008