

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1587-01  
Bill No.: SB 288  
Subject: Cities, Towns and Villages; Counties; Entertainment, Sports and Amusements;  
Fairs; Museums; Taxation and Revenue  
Type: Original  
Date: March 30, 2011

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Bill Summary: Would create a state and local sales and use tax exemption for all fees paid to any place of amusement, entertainment, or recreation.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
General Revenue	(\$42,521,875)	(\$51,026,250)	(\$51,026,250)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$42,521,875)</b>	<b>(\$51,026,250)</b>	<b>(\$51,026,250)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
Conservation Commission	(\$1,771,745)	(\$2,126,094)	(\$2,126,094)
Parks, and Soil and Water	(\$1,417,396)	(\$1,700,875)	(\$1,700,875)
School District Trust	(\$14,173,958)	(\$17,008,750)	(\$17,008,750)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$17,363,099)</b>	<b>(\$20,835,719)</b>	<b>(\$20,835,719)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</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 2012</b>	<b>FY 2013</b>	<b>FY 2014</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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Local Government</b>	<b>(\$35,434,896)</b>	<b>(\$42,521,875)</b>	<b>(\$42,521,875)</b>

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Conservation** (MDC) assume this proposal would have an unknown negative fiscal impact, but greater than \$100,000. Exempting all fees paid to any place of amusement, entertainment, or recreation from sales tax would decrease sales tax collected and thus would decrease revenue to the Conservation Sales Tax funds. MDC officials assumed the Department of Revenue would be better able to estimate the fiscal impact that would result from this proposal.

Officials from the **Department of Economic Development, Division of Tourism** (MDT) stated that MDT's funding formula is based on the sales tax collected in 17 tourism-related Standard Industrial Classification (SIC) codes. MDT shares the growth of sales tax revenues generated by the tourism industry with the General Revenue Fund. If the growth in sales tax revenues from the 17 SIC codes exceeds three percent, 50 percent of the growth, not to exceed \$3 million, would be deposited to the credit of the Division of Tourism Supplemental Revenue Fund (TSRF), which is added to MDT's core budget from the previous year. This proposal would exempt from sales tax eight of those 17 codes, which would reduce the amount added to MDT's core budget. MDT estimates this decrease to be from \$0 to \$3 million per fiscal year.

**Oversight** notes that this proposal would likely have a negative impact on sales tax revenues for tourism-related industry codes and assumes that the Division of Tourism (Tourism) funding formula could be adjusted to compensate for the impact of this proposal. Oversight will not include an estimate of potential impact to Tourism in this fiscal note due to the speculative nature of that projected revenue loss.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this proposal would have no fiscal impact on their organization other than the potential impact on the revenue stream of state and local governments which DESE has no means to calculate.

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

Officials from the **City of Kansas City** assume this proposal would have a negative fiscal impact on their organization. City officials reviewed calendar year 2010 sales tax data for "entertainment and amusement" businesses in the city sales tax data base and estimated that the city would have a loss of approximately \$3.4 million per year if this proposal was implemented.

Officials from the **City of Raytown** assume this proposal would have no fiscal impact to their organization that they can easily identify.

Officials from the **City of St. Louis** assume this proposal would have a strongly negative impact on their organization. St. Louis officials stated that if the provisions in the proposed legislation were enacted, sales taxes would no longer be charged on the price of tickets to sporting events, and to theatres and other entertainment venues. In the City of St. Louis, gate receipts from these venues are estimated to be approximately \$200 million per year and the total potential loss in sales taxes would amount to over \$7.1 million per year which would represent a significant loss of revenue to the city.

Officials from the **City of West Plains** assume this proposal would have an unknown negative fiscal impact to their organization.

Officials from the **Parkway School District** assume that any reduction in sales/use tax would result in revenue losses for the public schools but a cost estimate could not be made at this time.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume this proposal would not result in additional costs or savings to their organization. BAP officials stated that the proposal would create a state and local sales tax exemption for places of amusement and recreation, or athletic events, and deferred to the Department of Revenue for an estimate of the fiscal impact.

ASSUMPTION (continued)

**Oversight** reviewed the most recent data in the Statistical Abstract of the United States, published by the United States Census Bureau. The Statistical Abstract data was based on the 2007 Economic Census, and reported revenues from arts, entertainment, and recreation sources was \$3.4 billion per year.

**Oversight** assumes that this 2007 Census Bureau data would be approximately equal to current data, and estimated the revenues which this proposal would exempt from sales and use tax.

Total revenues from arts, entertainment, and recreation	\$3,400,000,000
Less service revenues currently exempt from tax (Promoters, agents, and independents artists)	\$403,776,000
Less venues currently exempt from tax (Museums and historical sites)	\$879,228,000
Less sales by currently exempt owners (Government and charitable organizations)	<u>\$427,526,000</u>
Net revenue exempted by this proposal	<u><u>\$1,700,875,000</u></u>

**Oversight** assumes, based on these calculations and the 2007 Census Bureau data, that the loss of sales tax revenues could be calculated as follows, and further assumes the proposal would be implemented in August 2011 (FY 2012). Therefore, the impact for FY 2012 would be 10/12 of the full year impact.

	<u>Full year</u>	<u>FY 2012</u>
General Revenue Fund (\$1,700,875,000 X 3%) =	\$51,026,250	\$42,521,875
School District Trust Fund (\$1,700,875,000 X 1%) =	\$17,008,750	\$14,173,958
Conservation Commission Fund (\$1,700,875,000 X 1/8%) =	\$2,126,094	\$1,771,745
Parks, and Soil and Water Funds (\$1,700,875,000 X 1/10%) =	\$1,700,875	\$1,417,396
Local governments (\$1,700,875,000 X 2 ½ % average rate) =	\$42,521,875	\$35,434,896

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction - sales tax exemption</u>	<u>(\$42,521,875)</u>	<u>(\$51,026,250)</u>	<u>(\$51,026,250)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$42,521,875)</u></b>	<b><u>(\$51,026,250)</u></b>	<b><u>(\$51,026,250)</u></b>
<b>CONSERVATION COMMISSION FUND</b>			
<u>Revenue reduction - sales tax exemption</u>	<u>(\$1,771,745)</u>	<u>(\$2,126,094)</u>	<u>(\$2,126,094)</u>
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b><u>(\$1,771,745)</u></b>	<b><u>(\$2,126,094)</u></b>	<b><u>(\$2,126,094)</u></b>
<b>PARKS, AND SOIL AND WATER FUNDS</b>			
<u>Revenue reduction - sales tax exemption</u>	<u>(\$1,417,396)</u>	<u>(\$1,700,875)</u>	<u>(\$1,700,875)</u>
<b>ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS</b>	<b><u>(\$1,417,396)</u></b>	<b><u>(\$1,700,875)</u></b>	<b><u>(\$1,700,875)</u></b>
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Revenue reduction - sales tax exemption</u>	<u>(\$14,173,958)</u>	<u>(\$17,008,750)</u>	<u>(\$17,008,750)</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b><u>(\$14,173,958)</u></b>	<b><u>(\$17,008,750)</u></b>	<b><u>(\$17,008,750)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
<b>LOCAL GOVERNMENTS</b>			
<u>Revenue reduction - sales tax exemption</u>	<u>(\$35,434,896)</u>	<u>(\$42,521,875)</u>	<u>(\$42,521,875)</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>(\$35,434,896)</u></b>	<b><u>(\$42,521,875)</u></b>	<b><u>(\$42,521,875)</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

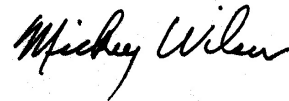
FISCAL DESCRIPTION

The proposed legislation would create a state and local sales and use tax exemption for all fees paid to any place of amusement, entertainment, or recreation.

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 Conservation  
Department of Economic Development  
    Division of Tourism  
Department of Elementary and Secondary Education  
Department of Revenue  
City of Kansas City  
City of Raytown  
City of St. Louis  
City of West Plains  
Parkway School District



Mickey Wilson, CPA  
Director  
March 30, 2011