

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4396-07  
Bill No.: HCS for SB 584  
Subject: Entertainment, Sports and Amusements; Taxation and Revenue - Sales and Use  
Type: Original  
Date: April 30, 2014

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Bill Summary: This proposal would make a number of changes to tax laws.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
General Revenue	(Could exceed \$19,392,877)	(Could exceed \$23,664,868)	(Could exceed \$23,666,021)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Could exceed \$19,392,877)</b>	<b>(Could exceed \$23,664,868)</b>	<b>(Could exceed \$23,666,021)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 36 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
Conservation Commission	(Could exceed \$986,458)	(Could exceed \$1,162,208)	(Could exceed \$1,162,208)
Parks, and Soil and Water	(Could exceed \$826,167)	(Could exceed \$969,766)	(Could exceed \$969,766)
School District Trust	(Could exceed \$6,461,667)	(Could exceed \$7,897,663)	(Could exceed \$7,897,663)
Road	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Could exceed \$8,374,292)</b>	<b>(Could exceed \$10,129,637)</b>	<b>(Could exceed \$10,129,637)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</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 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
General Revenue	2 FTE	2 FTE	2 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>	<b>2 FTE</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 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government</b>	<b>(Could exceed (21,363,042)</b>	<b>(Could exceed \$26,802,003)</b>	<b>(Could exceed \$26,802,003)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 67.585, RSMo. - Clay County Recreation and Community Center

This provision would authorize a 0.5 percent sales tax in Clay county through the creation of a recreational and community center district to be used for new and existing community centers.

Officials from **Clay County** did not respond to our request for information on similar language in HB 2192 LR 6017-03.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed similar provisions in HCS for SB 693 LR 5185-02 would allow the Liberty School District to request voter approval for a 0.5-cent sales tax to fund the construction of a new community center. BAP officials noted the Department of Revenue (DOR) does not provide taxable sales data by school district, but stated most recent DOR report shows taxable sales for the City of Liberty were \$412.8 million in 2013. BAP officials estimated a 0.5-cent tax on those sales would generate \$2.1 million annually, but stated it is likely the boundaries of the school district differ from those of the City, and noted Total State Revenues would increase to the extent DOR retains a 1% collection fee on the additional sales tax revenues.

Officials from the **University of Missouri - Economic and Policy Analysis Research Center (EPARC)** assumed similar language in HB 2192 LR 6017-03 would, if enacted, authorize a .5 percent sales tax in Clay County through the creation of a recreational and community center district to be used for new and existing community centers. This 0.5 percent sales tax could not be imposed unless it is approved by Clay County voters. Since the 0.5 percent sales could not be imposed until it is approved by the voters of Clay County, the initial enactment of this bill would have no impact. However, if Clay County voters approve the sales tax it is anticipated that it would generate the same amount of revenue as their current county sales tax which is also imposed at a rate of 0.5 percent.

EPARC officials stated their records indicate the Clay County sales tax, imposed at 0.5 percent, generated an average of \$14,525,039.78 in collections over the last three years. EPARC officials assumed the sales tax authorized in this bill would generate identical collections if approved by Clay County voters.

ASSUMPTION (continued)

If the voters in the Clay County School District approve this proposed sales tax, the State of Missouri would retain 1% of revenues as a collection fee. Therefore, if the sales tax is approved by Clay County voters, the estimated impact on state revenues would be an increase of \$145,250 from the 1% collection fee.

Officials from the **Department of Revenue (DOR)** assumed similar language in HB 2192 LR 6017-03 would require computer programming changes to the sales tax program, and provided an estimate of the IT cost of \$4,586 for 168 hours of programming to make changes to DOR systems.

**Oversight** assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA - ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOR) could request funding through the appropriation process.

DOR officials did not include an estimate of administrative cost to implement this proposal, and **Oversight** assumes any administrative cost would be minimal and could be absorbed with existing resources.

Officials from the **Office of the Secretary of State** assumed there would be no fiscal impact from similar language in HB 2192 LR 6017-03.

**Oversight** notes this proposal would allow a sales tax to be levied at no more than 0.5%, and assumes this proposal would limit the sales tax to the area included in the school district boundaries and not the full county. Therefore, Oversight is not able to determine what the actual tax rate would be if enacted by Clay County and approved by the voters in the school district or how much sales tax would be collected within the school district boundaries.

Therefore, **Oversight** will show the impact as \$0 (sales tax not implemented) or up to the estimate provided by BAP. If the sales tax is enacted, the Department of Revenue would receive a 1% collection fee. Oversight will show the impact to General Revenue of \$0 (sales tax not implemented) up to the estimate provided by BAP.

ASSUMPTION (continued)

Section 136.300, RSMo. - Burden of Proof in Tax Cases:

In response to similar provisions in SCS for SB 829 LR 5863-02, officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of the Attorney General** assumed any potential costs arising from SB 829 LR 5863-01 could be absorbed with existing resources.

Officials from the **Office of State Courts Administrator** and the **Joint Committee on Administrative Rules** assumed similar provisions in SCS for SB 829 LR 5863-02 would have no fiscal impact to their organizations.

In response to a previous version of this proposal, officials from the **Office of Administration, Division of Budget and Planning (BAP)**, assumed the proposal would impose the burden of proof in all tax liability cases on the Department of Revenue. BAP officials assumed this may impact the amount of litigation that the DOR is party to, but would not directly impact Total State Revenues.

Officials from the **Department of Revenue (DOR)** assumed similar provisions in SCS for SB 829 LR 5863-02 would result in increased litigation, and the Department's General Counsel would require one additional legal council and one additional paralegal.

ASSUMPTION (continued)

DOR officials provided an estimate of the cost to implement the proposal including one additional attorney and one additional paralegal. The total DOR cost estimate for the additional employees, benefits, equipment, and expense, was \$135,596 for FY 2015, \$161,135 for FY 2016, and \$163,234 for FY 2017.

**Oversight** notes this provision could result in either more or less litigation for DOR but will assume for fiscal note purposes DOR would have additional costs associated with litigation.

**Oversight** assumes the DOR estimate of expense and equipment cost for the new employees could be overstated. If DOR is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment could be reduced by roughly \$6,000 per new employee.

**Oversight** has changed the starting salary for the additional employees to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted the DOR estimate of equipment and expense in accordance with OA budget guidelines. Finally, Oversight assumes a limited number of additional employees could be accommodated in existing office space.

**Oversight** will also include an unknown revenue reduction for the General Revenue Fund in this fiscal note. Oversight assumes any fiscal impact to other state funds or to local governments would be minimal.

Sections 142.815 and 144.030 RSMo - Motor Fuel and Sales Tax Exemptions

In response to a previous version of this proposal, officials from the **Office of Administration - Division of Budget and Planning (BAP)** noted the proposal would exempt motor fuel used in watercraft from the motor fuel excise tax, and the exemption could reduce motor fuel revenues to the extent consumers are not already claiming refunds for such tax from the DOR.

ASSUMPTION (continued)

In response to similar language in HB 1475 LR 4946-01, officials from the **Department of Revenue (DOR)** noted motor fuel used for non-highway purposes, which includes marine-use fuel, is already exempt from motor fuel tax and a refund may be claimed by the purchaser of the fuel.

DOR officials stated fuel suppliers collect tax from distributors and remit the tax to the state, and assume the distributor who sells fuel to a marina would sell it tax exempt and file a claim for refund with the Department based on the tax the distributor paid to its supplier.

DOR officials noted currently, each distributor that delivers gasoline to marinas located in counties with a lake that has 100 miles or more of shoreline, files monthly reports which reflect those deliveries. Prior to August 15th of each year, the Department compares the number of gallons of gasoline claimed by consumers for marine use in each qualifying county to the number of gallons of gasoline delivered to the marinas in that county.

DOR officials noted the fuel tax on unclaimed gallons is then refunded to the county. The Department assumes that all distributors would claim a refund on the gallons they deliver to marinas, reducing the amount of unclaimed gallons. The department assumes counties would receive reduced disbursements of fuel tax on unclaimed gallons.

However, in response to HB 277 LR 0948-01 (2013) DOR officials assumed the proposal would not result in any fiscal impact to their organization. DOR officials noted that Section 142.815, RSMo, would exempt motor fuel delivered to a marina within this state that sells such fuel solely for use in a watercraft, and is not accessible to other motor vehicles, from the fuel tax. DOR officials also noted that Section 144.030, RSMo, would create a sales tax exemption for sales of motor fuel used in a watercraft.

DOR officials stated they currently distribute slightly more than \$500,000 per year to counties for unclaimed gallonage, and that current refunds of motor fuel tax subject to sales tax are less than \$10,000 per year.

Officials from the **Department of Agriculture** and the **Missouri Highway Patrol** assume there would be no fiscal impact to their respective organizations from similar language in HB 1475 LR 4946-01.



ASSUMPTION (continued)

**Oversight** notes that under current provisions, the Department of Revenue refunds motor fuel tax paid on fuel for watercraft but collects sales tax on that fuel. When fuel is sold to a marina and the motor fuel tax is not refunded, that unclaimed motor fuel tax is distributed to counties. The proposal would make all of that fuel exempt from motor fuel tax and sales tax.

For fiscal note purposes, Oversight will indicate a sales tax revenue reduction of less than \$100,000 for the General Revenue Fund, for other state funds which receive general sales tax revenues, and for local governments. Oversight will also indicate a motor fuel tax revenue reduction of \$500,000 per year for counties, and \$416,667 for ten months in FY 2015.

**Oversight** assumes the State Road Fund would have no impact since the proposal changes the disposition of motor fuel tax that is not currently used for road purposes.

Section 143.221, RSMo. - Withholding Tax Filing Requirement

In response to similar language in HB 1224 LR 4672-01, officials from the **Office of the Secretary of State (SOS)** assumed many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed a previous version of this proposal would not result in any additional costs or savings to their organization.

ASSUMPTION (continued)

BAP officials noted the proposal would increase the threshold for annual withholding filers from \$20 to \$100. Withholding taxes that would have otherwise been collected on a quarterly basis in April, July, and October would be delayed until January. This proposal would not directly impact Total State Revenues in the aggregate, but could have a cash flow impact across fiscal years.

Assuming the bill would become effective Aug. 28, 2014, quarterly payments due in October 2014 would instead be remitted in January 2015. This would have no cash effect overall for FY 2015, though timing of payments are different. However, quarterly payments due in April and July of 2015 would not arrive until January 2016. Therefore, revenue collections would be reduced in FY 2015, but the payments in FY 2016 would be increased by similar amounts. Further, similar patterns would follow in subsequent years.

Department of Revenue (DOR) officials informed BAP that about 6,500 businesses would be impacted by this proposal. BAP defers to DOR for estimated withholding amounts.

Officials from the **Department of Revenue (DOR)** assumed similar language in HB 1224 LR 4672-01 would raise the quarterly aggregate amount required to file a withholding return from \$20 to \$100.

Fiscal impact

DOR officials assumed the proposal would not reduce Total State Revenue, but would delay the collection of withholding taxes. This legislation would impact approximately 3,500 businesses that would currently file and pay withholding in April, July, and October could now delay the remittance of their withholding taxes until January of the following year.

Assuming the state could earn a five percent rate of interest, DOR officials assumed the proposal could Reduce Total State Revenue by \$17,500 annually.

Administrative impact

The DOR response did not include any estimate of administrative cost involved in implementing this proposal and **Oversight** assumes any administrative costs would be minimal and could be absorbed with existing resources.

ASSUMPTION (continued)

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$1,092 based on 40 hours of programming to make changes to DOR systems.

**Oversight** assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA - ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOR) could request funding through the appropriation process.

Officials from the **Joint Committee on Administrative Rules** assumed similar language in HB 1224 LR 4672-01 would have no fiscal impact on their organization.

**Oversight** assumes this proposal would allow certain employers to delay filing and paying withholding taxes, which are currently due on a quarterly basis, until the following January 31. The amount of tax due and the overall amount of revenue for a tax year would not change; however, implementing this proposal could delay receipt of withholding taxes as explained below.

- \* Taxes withheld for the third calendar quarter ending September 30, 2014 are currently filed and paid by October 31, 2014 (FY 2015); the proposal would include those taxes in an annual filing due January 31, 2015 (FY 2015). Those taxes would be received in the same fiscal year as currently required, although filing and payment of those funds would be delayed three months. For fiscal note purposes there would be no impact from that delay.
- \* Taxes withheld for the fourth calendar quarter ended December 31, 2014 would be paid January 31, 2015 (FY 2015) as currently required.
- \* Taxes withheld for the first calendar quarter ending March 31, 2015 would currently be required to be filed and paid by April 30, 2015 (FY 2015). The proposal would include those taxes in an annual filing due January 31, 2016 (FY 2016). That delay would be permanent, as each year's first quarter withholding taxes would be paid the following state fiscal year.

ASSUMPTION (continued)

- \* Taxes withheld for the calendar quarters ending June 30, 2015 currently required to be filed and paid by July 31, 2015 and September 30, 2015 currently required to be filed and paid by October 31, 2015 (FY 2016) would be paid by January 31, 2016 (FY 2016). Those taxes would also be paid in the same fiscal year as currently required but would be delayed six months and three months, respectively, as compared to current requirements.
- \* Based on the number of filers provided by the Department of Revenue, the amount of first calendar quarter withholding taxes delayed over the end of a state fiscal year could range from (3,500 filers x the current \$20 threshold ) = \$70,000 to (3,500 filers x the new \$100 threshold) = \$350,000.

For fiscal note purposes, **Oversight** will indicate an unknown revenue reduction for FY 2015 due to first calendar quarter withholding taxes which would be remitted in January, 2016 (FY 2016) rather than April 2015 (FY 2015).

Section 144.010 RSMo. - Sales Tax on Admissions:

Changes to the provisions in this legislation would specify which places of amusement, entertainment, recreation, games, and athletic events must collect sales tax. The proposal would only require sales tax to be charged and remitted for "places of dance, theater, orchestra and other performing arts productions, commercial sports, spectator sports, gambling, racetracks, arcades, theme and amusement parks, water parks, circuses, carnivals, festivals, air shows, museums, marinas, motion picture theaters, and other commercial attractions." All other sales of admission tickets, cash admissions, charges or fees to or in places of amusement, entertainment and recreation, games and athletic events would not be taxable.

ASSUMPTION (continued)

In response to a previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** assumed many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** assumed a previous version of this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed a previous version of this proposal would not result in any additional costs or savings to their organization.

BAP officials assumed the proposal would provide a specific list of taxable places of entertainment and recreation. Based on taxable sales data reported by DOR for 2012, this proposal may exclude taxable sales from Bowling and Billiard Establishments and Miscellaneous Amusements. In 2012, sales in those industry categories totaled \$720.5 million. This proposal could reduce Total State Revenues by these amounts, but losses could be higher if additional retail business categories are also excluded.

BAP officials provided a calculation of the sale tax revenue which would be foregone if the \$720.5 million in sales are exempted from tax when this proposal is implemented.

<u>Fund</u>	<u>Amount</u>
General Revenue	\$21,600,000
School District Trust	\$7,200,000
Conservation Commission	\$900,000
Parks, and Soil and Water	\$700,000
Total	<u>\$30,400,000</u>

ASSUMPTION (continued)

BAP officials also assumed the proposal would impact the calculation under Article X, Section 18(e).

Officials from the **Department of Revenue (DOR)** assumed a previous version of this proposal would redefine which entities making sales at retail constitute a place of amusement, entertainment and recreation, or games and athletic events for sales and use tax purposes. Additionally, the legislation would provide a specific list of activities that define those sales.

Fiscal impact

DOR officials assumed the proposal could reduce Total State Revenue by an estimated \$30.4 million annually by exempting those entities that do not fall within the definition of a place of amusement, entertainment or recreation, games, or athletic events.

Administrative impact

DOR officials assumed Collections and Tax Assistance (CATA) would receive additional customer contacts but would handle these contacts with current staff. DOR officials would plan to cancel sales tax registration for currently registered businesses that no longer need to collect and remit sales tax.

DOR officials assumed reports would need to be produced by ITSD-DOR to determine the number of registered businesses.

DOR officials assumed Business Tax could have a reduction in the number of businesses registered.

In summary, DOR officials assumed no additional staff would be required as a result of this legislation; however, the legislation may result in overtime required to adjust procedures and documents posted on the website.

Officials from the **City of Kansas City** assumed a previous version of this proposal would result in a loss of sales tax revenues but stated they could not estimate the loss.

Officials from the **St. Louis County Directors of Elections** assumed a previous version of this proposal would have no fiscal impact their organization.

ASSUMPTION (continued)

Officials from the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information.

Officials from the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.

Officials from the following school districts: Blue Springs, Branson, Charleston R-I, Cole R-I, Columbia, Fair Grove, Francis Howell, Fulton, Harrison R-IX, Independence, Jefferson City, Johnson County R-7, Kansas City, Kirksville, Kirbyville R-V, Lee's Summit, Malden R-I, Malta Bend, Mexico, Monroe City R-I, Nixa, Parkway, Pattonville, Raymore-Peculiar R-III, Raytown, Riverview Gardens, Sedalia, Sikeston, Silex, Special School District of St. Louis County, Spickard, St Joseph, St Louis, St. Charles, Sullivan, Warren County R-III, and Waynesville did not respond to our request for information.

**Oversight** notes this proposal would provide a sales and use tax exemption for certain businesses which are involved in activities that are subject to tax under current provisions. Oversight has no information as to the number of business nor the amount of sales which would be exempted by the proposal and we are concerned the estimates prepared by the Office of Administration - Division of Budget and Planning and the Department of Revenue may be based on exempting more business types than intended by the General Assembly.

Accordingly, Oversight will indicate a revenue reduction greater than \$100,000 for the General Revenue Fund, School District Trust Fund, Conservation Commission Fund, the Parks, and Soil and Water funds, and for local governments. The proposal would become effective in August, 2014, FY 2015).

ASSUMPTION (continued)

Section 144.020, RSMo. - Sales Tax Exemption for Right of First Refusal Fees

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** noted similar language in HCS for SB 693 LR 5185-02 would provide that fees paid for right of first refusal for tickets at the Kansas City Sprint Center would be exempt from sales taxes. BAP officials assume this would reduce Total State Revenues, including those for schools, and deferred to the Department of Revenue for an estimate of the impact.

In response to similar language in HCS for SB 693 LR 5185-02, officials from the **Department of Revenue (DOR)** noted in 2012, sales from commercial sports reported sales of \$287,624,234.49, and stated sales for the first opportunity to purchase or decline tickets are reported within these sales. DOR officials stated they could not determine how much of the sales reported are from such sales. Exempting these sales could result in a loss of revenue by less than \$12.2 million annually.

Officials from the **City of Kansas City** assume their organization would lose substantial amounts of revenue from similar language in HCS for SB 693 LR 5185-02.

**Oversight** assumes there would be a reduction in revenues for the General Revenue Fund and the other state funds which receive sales taxes, and for local governments if this provision was implemented; however, Oversight has no information as to the number or amount of such transactions and will indicate an unknown revenue reduction for those funds and entities from this proposed sales tax exemption.



ASSUMPTION (continued)

Section 144.044, RSMo. - Sales Tax on Used Manufactured Homes

This proposal would provide an exemption in Section 144.044, RSMo. from all forms of state and local sales and use tax on the sale of used manufactured homes.

In response to similar language in SB 860, LR 5906-01, officials from the **Office of the Secretary of State (SOS)** stated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

In response to similar language in SB 860, LR 5906-01, officials from the **Joint Committee on Administrative Rules** assumed there would be no fiscal impact to their organization.

Officials from the **Office of Administration - Division of Budget and Planning** did not respond to our request for information on similar language in SB 860, LR 5906-01.

Officials from the **Department of Economic Development** assumed similar provisions in HB 1765 LR 5866-01 would have no fiscal impact on their organization.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** assumed similar provisions in HB 1765 LR 5866-01 would have no fiscal impact on their organization but would reduce state revenues.

DOR officials stated they collect sales tax on used manufactured homes which are moved in to Missouri from outside the state but were not able to provide information on amounts collected.

**Oversight** notes that DOR regulations require the payment of sales tax on a used manufactured home if sales tax was not paid on that home when it was new, but if sales tax was not paid on that manufactured home when it was new, sales tax would be due on 100% of the used sales price. Oversight does not have any information as to the number or amount of transactions involved in used manufactured home sales and assumes this proposal would result in an unknown revenue reduction for the General Revenue Fund, other state funds that receive sales taxes, and for local governments for FY 2015, FY 2016, and FY 2017.

Section 144.049, RSMo. - Sales Tax Exemption for Graphing Calculators:

In response to similar language in HB 1165 LR 4052-01, officials from the **Office of the Secretary of State (SOS)** assumed many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** assumed similar language in HB 1165 LR 4052-01 would not have a fiscal impact to their organization in excess of existing resources.

ASSUMPTION (continued)

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed a previous version of this proposal could impact the calculation under Article X, Section 18(e).

BAP officials provided an estimate of the potential impact for the proposal, as follows.

The proposal would add graphing calculators valued at \$150 or less to the sales tax holiday in August. According to information supplied to BAP by the Department of Elementary and Secondary Education (DESE), there are 98,442 students enrolled in Pre-Algebra or Algebra I in 2012. BAP officials assume each of these students was a new algebra student that required a new graphing calculator, which would result in  $(98,442 \times \$150) = \$14,766,300$  in purchases.

BAP officials stated they could not determine how many of those purchases would be made in stores vs. by e-commerce, nor does BAP have data to indicate how many of these sales might occur during the holiday. Therefore, BAP officials assume this proposal could reduce revenues as much as shown below.

Potential calculator sales

Algebra students	98,442
Calculator cost	<u>\$150</u>
Potential sales	<u>\$14,766,300</u>

ASSUMPTION (continued)

Potential revenue reduction

Fund	Sales Tax Rate	Estimated Revenue Reduction
General Revenue	3.000%	\$442,989
School District Trust	1.000%	\$147,663
Conservation Commission	0.125%	\$18,458
Parks, and Soil and Water	0.100%	\$14,766

For fiscal note purposes, **Oversight** will indicate a revenue reduction up to the amounts calculated above for these funds.

**Oversight** notes local governments revenues could be reduced as much as  $(\$14,766,300 \times .037) = \$546,353$ . The 3.7 percent average local government sales tax rate was calculated by Oversight based on tax collections reported by the Department of Revenue. Oversight will indicate a revenue reduction up to the amount calculated. Oversight also notes that the proposal would become effective after the sales tax holiday in August of 2014 (FY 2015) so the first impact would be in FY 2016.

Section 144.052, RSMo. - Sales Tax Exemption for Drugs and Equipment Used in the Treatment of Terminal Illnesses:

Officials from the **Office of Administration - Division of Budget and Planning** assumed a previous version of this proposal would exempt from sales tax certain drugs and equipment used in the treatment of terminal illnesses. To the extent these products are not already exempt, this proposal would reduce Total State Revenues, and local revenues.

ASSUMPTION (continued)

Officials from the **Department of Revenue** assumed similar language in HB 2273 LR 6523-03 would have no impact on their organization but would reduce revenues.

Officials from the **Office of the Secretary of State** and the **Joint Committee on Administrative Rules** assumed similar language in HB 2273 LR 6523-03 would have no fiscal impact on their organizations.

**Oversight** notes most forms of medication, and many medical supplies and devices are currently exempt from sales tax under existing provisions, and assumes this proposal would provide a sales tax exemption for certain products, devices, repair parts for devices, and disposable supplies not eligible for the existing sales tax exemption. Oversight assumes there would be a limited but unknown amount of sales which would be exempted from tax by this provision; therefore, Oversight will indicate an unknown revenue reduction for the General Revenue Fund, for those other state funds which receive sales tax revenues, and for local governments.

Section 144.058, RSMo. - Sales Tax Exemption for Materials, Equipment, and Energy Used in Utility Businesses:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed a previous version of this proposal would have statewide impact, and would impact the calculation required under Article X, Section 18(e) of the Missouri Constitution.

BAP officials noted the proposal would exempt from sales tax various inputs to the utilities industry. These exemptions include the utilities, chemicals, machinery, equipment, supplies, parts and materials used by that industry.

BAP officials assumed the terms "supplies, parts, and materials" would include most inputs to production for the utilities, and noted the following.

- \* According to the Input-Output Use Tables provided by the United States Department of Commerce, Bureau of Economic Analysis, inputs from commodities that might qualify under these exemptions are roughly equal to 16% of the total output of the "utilities" industry.

ASSUMPTION (continued)

- \* Missouri Department of Revenue (DOR) reports indicate taxable sales of "utilities" in 2013 were about \$4,715.7 million, which suggests that this proposal might exempt ( $\$4715.7 \text{ million} \times 16\%$ ) = \$755 million in taxable sales from taxation.

BAP officials assumed the proposal would reduce state revenues as shown in the table below; however, actual losses may differ from this estimate if the actual output of the firms in question differs from the estimate of the taxable sales reported by DOR, if some inputs are already exempt, or if the ratio of taxable inputs differs from that assumed for this analysis.

General Revenue	\$22.7 million
Education	\$7.6 million
Conservation	\$1.0 million
Natural Resources	\$0.8 million

Officials from the **Department of Revenue (DOR)** assumed similar language in HB 2255 LR 6517-01 would create a sales tax exemption for electrical energy and gas, water, coal, and other energy sources, chemicals, machinery, equipment, parts and materials used and consumed in the generation, transmission, distribution, sale, or furnishing of electricity for light, heat, or power to customers.

Fiscal impact

DOR officials stated they were not able to determine the exact fiscal impact to state and local taxes; however, based on refund claims from companies in a similar industry, the Department estimates the impact may be between \$30 and \$60 million annually. The state revenue loss would be approximately half the \$30 to \$60 million and the local revenue loss would be approximately half.

Administrative impact

DOR officials assumed the proposal would not result in any administrative or IT cost to implement.

ASSUMPTION (continued)

**Oversight** notes the BAP estimate of \$755 million in potentially taxable inputs indicated above would generate sales tax revenues as shown below.

Fund or entity	Sales Tax Rate	Estimated Revenue	
		Annual	Ten months
General Revenue Fund	3.000%	\$22,650,000	\$18,875,000
School District Trust Fund	1.000%	\$7,550,000	\$6,291,667
Conservation Commission Fund	0.125%	\$943,750	\$786,458
Parks, and Soil and Water Fund	0.100%	\$755,000	\$629,167
Local Governments *	3.700%	\$27,935,000	\$23,279,167

\* The 3.7% rate for local governments is an average calculated by Oversight based on collections reported by DOR.

**Oversight** notes the amounts calculated above are approximately equal to the lower of the Department of Revenue estimates, and will use these amounts for fiscal note purposes. Oversight will also indicate a reduction in revenue for the General Revenue Fund of \$279,350 (twelve months) and \$232,792 (ten months) for the reduction in local government sales tax collection charges.

**Oversight** assumes this proposal was not intended to provide a sales and use tax exemption for motor vehicles purchased by utility companies. If this proposal was interpreted to provide a sales and use tax exemption for motor vehicles purchased by utility companies, there would be a significant but unknown additional reduction in revenue for roads, conservation, parks and soils, and for local governments.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules**, and the **Department of Economic Development - Division of Energy, Public Service Commission**, and **Office of Public Counsel** assumed similar language in HB 2255 LR 6517-01 would have no fiscal impact on their organizations.

Section 144.080, RSMo. - Assumption of Sales Tax By Sellers:

Officials from the **Office of the Secretary of State (SOS)** assumed in response to similar language in HB 1296 LR 5085-01 that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of the Attorney General** assumed any potential costs arising from similar language in HB 1296 LR 5085-01 could be absorbed with existing resources.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed a previous version of this proposal would allow a seller to advertise that the required sales tax will be assumed or absorbed into the price of goods or services if the amount of the tax is displayed on the receipt or invoice. BAP officials assumed the proposal would have no direct impact on Total State Revenues.

Officials from the **Joint Committee on Administrative Rules** and the **Department of Revenue** assumed similar language in HB 1296 LR 5085-01 would have no fiscal impact on their organizations.

**Oversight** assumes this provision would have no fiscal impact on the state or on local governments.



ASSUMPTION (continued)

Section 144.190, RSMo. - Refund Claims Procedure:

Officials from the **Office of the Secretary of State (SOS)** assumed in response to similar language in HB 2218 LR 6477-1 that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** assumed similar language in HB 2218 LR 6477-1 would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed a previous version of this proposal would have statewide impact, and would impact the calculation required under Article X, Section 18(e) of the Missouri Constitution.

BAP officials noted this proposal would modify provisions related to sales tax refund claims made by the purchasers of certain taxable property. Based on information provided by the Department of Revenue, BAP officials estimated these provisions may have impacted less than \$5 million in sales tax refund claims over the last several years; however, it is possible more refund claims may be received if this proposal is adopted. Therefore, BAP officials assume this proposal could reduce Total State Revenues by more than \$5 million annually.

Officials from the **Department of Revenue (DOR)** assumed similar language in HB 2218 LR 6477-1 would modify current provisions pertaining to offsets or claims when the assessment is no longer subject to appeal. The proposal would allow a refund if the purchaser files a refund claim, provided the refund claim is for use tax remitted by the purchaser, or if a person legally obligated to remit the tax files another refund claim.

ASSUMPTION (continued)

Fiscal impact

DOR officials assume this proposal would result in a revenue reduction greater than \$5 million.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$5,460, based on 200 hours of programming to make changes to DOR systems.

**Oversight** assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA - ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOR) could request funding through the appropriation process.

**Oversight** assumes the potential revenue reduction for this proposal is unknown; however, if the impact is \$5 million, that impact would be distributed across those funds which receive sales and use tax revenues. The actual distribution of \$5 million in state sales tax revenues would depend on the type of property purchased and the type of taxable services involved.

- \* The 3% General Sales tax of approximately \$3.5 million would be deposited into the General Revenue Fund, or into Road Funds if the sales or use tax was imposed on a motor vehicle. The amounts due to the Road Funds are further distributed according to a formula in the Missouri Constitution.
- \* The 1% Education Sales Tax of approximately \$1.2 million would be deposited into the School District Trust Fund, to be distributed to school districts along with other money in the fund.
- \* The 1/8% Conservation Sales Tax of approximately \$150,000 would be deposited into the Conservation Commission Fund.
- \* The 1/10% Parks, and Soil and Water Sales Tax of approximately \$120,000 would be deposited into funds managed by the Department of Natural Resources.

ASSUMPTION (continued)

- \* In addition to the state sales tax collections which could be refunded if this proposal is enacted, there would be approximately \$6.2 million in local sales taxes refunded.
- \* The reduction in sales tax collections for local governments and for road funds would also result in reduced collection charges for the Department of Revenue.

For fiscal note purposes, **Oversight** will indicate a revenue reduction for sales and use taxes greater than \$100,000 for the General Revenue Fund, road funds, other state funds which receive sales tax revenues, and for local governments. Oversight will also indicate an unknown revenue reduction for the General Revenue Fund for the reduction in local government sales tax collection charges.

Oversight comment

**Oversight** understands that sales tax revenues in the School District Trust Fund are distributed along with other revenues to local school districts but will not show those transfers in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE FUND</b>			
<u>Additional Revenue</u> - 1% collection fee Section 67.585	\$0 or Up to \$21,000	\$0 or Up to \$21,000	\$0 or Up to \$21,000
<u>Cost - DOR</u>			
Additional litigation			
Section 136.300			
Salaries	(\$61,990)	(\$74,388)	(\$75,132)
Benefits	(\$31,618)	(\$37,942)	(\$38,321)
Equipment and expense	<u>(\$12,477)</u>	<u>(\$1,199)</u>	<u>(\$1,229)</u>
Total	(\$106,085)	(\$113,529)	(\$114,682)
<u>FTE change</u> - DOR	2 FTE	2 FTE	2 FTE
<u>Revenue reduction</u> - Burden of proof Section 136.300	(Unknown)	(Unknown)	(Unknown)
<u>Additional revenue</u> - Previous year withholding taxes paid Section 143.221, RSMo	\$0	Unknown	Unknown
<u>Revenue reduction</u> - Delayed filing and payment of withholding taxes Section 143.221, RSMo	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> - Motor fuel and sales tax exemptions Sections 142.815 and 144.030	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
<u>Revenue reduction</u> - Sales tax exemption Section 144.010	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

<u>Revenue reduction</u> - Sales tax exemption Section 144.020	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> - Sales tax exemption Section 144.044	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> - Sales tax exemption Section 144.049	\$0	(Up to \$442,989)	(Up to \$442,989)
<u>Revenue reduction</u> - Sales tax exemption Section 144.052	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> - DOR Collection charges on sales tax Section 144.058	(\$232,792)	(\$279,350)	(\$279,350)
<u>Revenue reduction</u> - Sales tax exemption Section 144.058	(\$18,875,000)	(\$22,650,000)	(\$22,650,000)
<u>Revenue reduction</u> - DOR Collection charges on sales tax Section 144.190	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> - Sales tax refund claims Section 144.190	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>(Could exceed <u>\$19,392,877</u>)</b>	<b>(Could exceed <u>\$23,664,868</u>)</b>	<b>(Could exceed <u>\$23,666,021</u>)</b>
Estimated Net FTE effect on General Revenue Fund	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Revenue reduction</u> - Motor fuel and sales tax exemptions Sections 142.815 and 144.030	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
<u>Revenue reduction</u> - Sales tax exemption Section 144.010	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<u>Revenue reduction</u> - sales tax exemption Section 144.020	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> - Sales tax exemption Section 144.044	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> - Sales tax exemption Section 144.049	\$0	(Up to \$147,663)	(Up to \$147,663)
<u>Revenue reduction</u> - Sales tax exemption Section 144.052	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> - Sales tax exemption Section 144.058	(\$6,291,667)	(\$7,550,000)	(\$7,550,000)
<u>Revenue reduction</u> - Sales tax refund claims Section 144.190	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b>(Could exceed <u>\$6,491,667</u>)</b>	<b>(Could exceed <u>\$7,897,663</u>)</b>	<b>(Could exceed <u>\$7,897,663</u>)</b>

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>CONSERVATION COMMISSION FUND</b>			
<u>Revenue reduction</u> - Motor fuel and sales tax exemptions Sections 142.815 and 144.030	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
<u>Revenue reduction</u> - Sales tax exemption Section 144.010	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<u>Revenue reduction</u> - sales tax exemption Section 144.020	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> - Sales tax exemption Section 144.044	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> - Sales tax exemption Section 144.049	\$0	(Up to \$18,458)	(Up to \$18,458)
<u>Revenue reduction</u> - Sales tax exemption Section 144.052	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> - Sales tax exemption Section 144.058	(\$786,458)	(\$943,750)	(\$943,750)
<u>Revenue reduction</u> - Sales tax refund claims Section 144.190	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b>(Could exceed <u>\$986,458</u>)</b>	<b>(Could exceed <u>\$1,162,208</u>)</b>	<b>(Could exceed <u>\$1,162,208</u>)</b>

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>PARKS, AND SOIL AND WATER FUNDS</b>			
<u>Revenue reduction</u> - Motor fuel and sales tax exemptions Sections 142.815 and 144.030	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
<u>Revenue reduction</u> - Sales tax exemption Section 144.010	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<u>Revenue reduction</u> - sales tax exemption Section 144.020	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> - Sales tax exemption Section 144.044	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> - Sales tax exemption Section 144.049	\$0	(Up to \$14,766)	(Up to \$14,766)
<u>Revenue reduction</u> - Sales tax exemption Section 144.052	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> - Sales tax exemption Section 144.058	(\$629,167)	(\$755,000)	(\$755,000)
<u>Revenue reduction</u> - Sales tax refund claims Section 144.190	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<b>ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS</b>	<b>(Could exceed <u>\$829,167</u>)</b>	<b>(Could exceed <u>\$969,766</u>)</b>	<b>(Could exceed <u>\$969,766</u>)</b>



<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
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**ROAD FUNDS**

<u>Revenue reduction</u> - Sales tax refund claims Section 144.190	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )
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<b>ESTIMATED NET EFFECT ON ROAD FUNDS</b>	<b>(More than <u>\$100,000</u>)</b>	<b>(More than <u>\$100,000</u>)</b>	<b>More than <u>\$100,000</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
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**LOCAL GOVERNMENTS**

<u>Additional Revenue</u> - recreation center sales and use tax Section 67.585	\$0 or Up to \$2,100,000	\$0 or Up to \$2,100,000	\$0 or Up to \$2,100,000
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<u>Revenue reduction</u> - Motor fuel and sales tax exemptions Sections 142.815 and 144.030	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
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<u>Revenue reduction</u> - Unclaimed gallonage distribution Section 142.815 RSMO -	(\$416,667)	(\$500,000)	(\$500,000)
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<u>Revenue reduction</u> - Sales tax exemption Section 144.010	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
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<u>Revenue reduction</u> - sales tax exemption Section 144.020	(Unknown)	(Unknown)	(Unknown)
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<u>Revenue reduction</u> - Sales tax exemption Section 144.044	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> - Sales tax exemption Section 144.049	\$0	(Up to \$546,353)	(Up to \$546,353)
<u>Revenue reduction</u> - Sales tax exemption Section 144.052	(Unknown)	(Unknown)	(Unknown)
<u>Reduction in cost</u> - DOR collection charges Section 144.058	\$232,792	\$279,350	\$279,350
<u>Revenue reduction</u> - Sales tax exemption Section 144.058	(\$23,279,167)	(\$27,935,000)	(\$27,935,000)
<u>Revenue reduction</u> - Sales tax exemption Section 144.190	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b>(Could exceed <u>\$21,363,042</u>)</b>	<b>(Could exceed <u>\$26,802,003</u>)</b>	<b>(Could exceed <u>\$26,802,003</u>)</b>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses which buy or sell motor fuel used in watercraft, which operate places of amusement, entertainment, recreation, and games, or which buy or sell used manufactured homes, or drugs, supplies, and devices used in the treatment of terminal illnesses.

## FISCAL DESCRIPTION

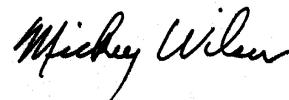
This proposal would make changes to Missouri tax law.

- \* This proposal would authorize a recreation center district in Clay County, subject to voter approval.
- \* This proposal would place the burden of proof on the Department of Revenue in all tax disputes.
- \* This proposal would provide a motor fuel and sales tax exemption for motor fuel used in watercraft.
- \* This proposal would increase the minimum accumulated withholding tax needed to require quarterly withholding.
- \* This proposal would specify which places of amusement, entertainment, recreation, games, and athletic events must collect sales tax, and would specify that right of first refusal fees for a specific venue are not subject to sales tax.
- \* This proposal would provide a sales and use tax exemption for used manufactured homes, for drugs, supplies, and devices used in the treatment of terminal illnesses, and for materials and supplies, energy, and equipment purchased by utility companies.
- \* This proposal would add certain graphing calculators to the list of items that are exempted from sales tax during the annual sales tax holiday for school supplies.
- \* This proposal would provide a process for claiming a refund for an offset or credit after the statute of limitations has passed for filing claims, if the offset or credit results from an examination by the Department of Revenue.

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 State Courts Administrator  
Office of the Secretary of State  
Office of the Attorney General  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Agriculture  
Department of Economic Development  
Department of Public Safety  
    Missouri Highway Patrol  
Department of Revenue  
University of Missouri  
    Economic and Policy Analysis Research Center  
City of Kansas City  
St. Louis County Directors of Elections



Mickey Wilson, CPA  
Director  
April 30, 2014

Ross Strobe  
Assistant Director  
April 30, 2014