

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5396-01
Bill No.: SB 727
Subject: Agriculture and Animals; Taxation and Revenue - Sales and Use
Type: Original
Date: February 12, 2014

Bill Summary: This proposal would create a sales and use tax exemption for specified farm products sold at farmers' markets.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 9 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Conservation Commission	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Parks, and Soil and Water	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
School District Trust	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

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** assume that any potential costs arising from this proposal could be absorbed with existing resources.

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

BAP officials assume this proposal would provide a tax exemption on sales at farmers markets, except for those farmers with over \$25,000 in annual sales at farmers' markets.

ASSUMPTION (continued)

BAP officials noted that according to information on the USDA website, Missouri has about 141 of the 7,175 national farmers markets, or about 2.0%. The same source estimates national sales at over \$1.2 billion annually. BAP officials noted that using these figures would suggest Missouri sales of about \$24 million annually. Some of those sales are probably already exempt, but the amount is unknown. A state sales tax exemption on those sales would reduce total state revenues by the following amounts.

<u>Fund</u>	<u>Amount</u>
General Revenue	\$720,000
School District Trust	\$240,000
Conservation Commission	\$30,000
Parks, and Soil and Water	\$20,000

Officials from the **Department of Revenue (DOR)** assume this proposal would exempt all sales of farm products sold at a farmers' market from state and local sales and use taxes. DOR officials assume this proposal would have no fiscal impact on their organization but could reduce state revenues.

Fiscal impact

In response to similar language in HB 1435, LR 5439-01, DOR officials cited a study by the Missouri Department of Agriculture, which provided an estimate of annual sales at Missouri farmers' markets of \$14.5 million. The report stated most of the sales are food related and currently taxed at the reduced food sales tax rate. DOR officials estimated the state sales tax loss at \$228,000, and noted that local governments would also have a negative impact.

Officials from the **City of Columbia** assume this proposal would not have a major impact to their organization.

Officials from the **City of Kansas City** assume the potential loss to their organization would be negligible.

Officials from **St. Louis County** assume the sales tax loss to their organization would likely be small.

ASSUMPTION (continued)

Officials from the **Francis Howell School District** stated they were not able to provide an estimate of the fiscal impact.

Officials from the **Johnson County R-VII School District**, and the **St. Louis County Directors of Elections** assume the proposal would have no fiscal impact on their organizations.

In response to similar language in HB 1435, LR 5439-01, officials from the **Joint Committee on Administrative Rules, Cole County**, the **City of Maryland Heights** assumed the proposal would have no fiscal impact on their organizations.

Officials from the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, 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. 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, 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, 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, Harrison R-IX, Independence, Jefferson City, 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.

ASSUMPTION (continued)

Oversight assumptions

Oversight assumes the fiscal impact of this proposal on \$14.5 million annual sales as estimated by the Department of Agriculture study above, could be calculated as follows.

<u>Fund or entity</u>	<u>Sales Tax Rate</u>	<u>Revenue Reduction</u>	
		<u>Annual</u>	<u>Ten Months</u>
School District Trust	1.000%	\$145,000	\$120,833
Conservation Commission	0.125%	\$18,125	\$15,104
Parks, and Soil and Water	0.100%	\$14,500	\$12,083
Local Governments *	3.700%	\$536,500	\$447,083

* The 3.7% average rate for local governments was computed by Oversight based on collections reported by the Department of Revenue.

For fiscal note purposes, **Oversight** will include an unknown revenue reduction for the General Revenue Fund since a substantial but unknown part of the reported sales are food and related items which are subject only to the 1% sales tax; none of that 1% tax is deposited into the General Revenue Fund.

Oversight will include a revenue reduction less than \$100,000 per year for the Conservation Commission Fund and the Parks, and Soil and Water Fund. Oversight notes that the revenue reduction for the School District Trust Fund would result in reduced transfers to local school districts in addition to the direct revenue reduction greater than \$100,000 per year for local governments, but will not include those transfers in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Revenue reduction - DOR</u>			
Sales Tax exemption			
Section 144.527	<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>
CONSERVATION COMMISSION FUND			
<u>Revenue reduction - DOR</u>			
Sales Tax exemption			
Section 144.527	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
PARKS, AND SOIL AND WATER FUND			
<u>Revenue reduction - DOR</u>			
Sales Tax exemption			
Section 144.527	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>	<u>(Less than \$100,000)</u>

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

SCHOOL DISTRICT TRUST FUND

<u>Revenue reduction - DOR</u> Sales Tax exemption Section 144.527	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
--------------------------------------------------------------------------	--------------------------	--------------------------	--------------------------

ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
---------------------------------------------------------------	-----------------------------------------	-----------------------------------------	-----------------------------------------

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
-----------------------------------------	---------------------	---------	---------

LOCAL GOVERNMENTS

<u>Revenue reduction - DOR</u> Sales Tax exemption Section 144.527	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
--------------------------------------------------------------------------	--------------------------	--------------------------	--------------------------

ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
------------------------------------------------------	-----------------------------------------	-----------------------------------------	-----------------------------------------

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which operate farmers' markets or sell specified items at farmers' markets.

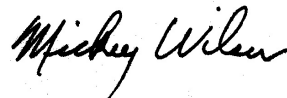
FISCAL DESCRIPTION

This proposal would create an exemption from state and local sales and use taxes for specific farm products sold at farmers' markets.

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 the Secretary of State
Office of the Attorney General
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Revenue
Cole County
St. Louis County
City of Columbia
City of Kansas City
City of Maryland heights
Francis Howell School District
Fulton Public Schools
Johnson County R-VII School District
St. Louis County Directors of Elections



Mickey Wilson, CPA
Director
February 12, 2014

Ross Strobe
Assistant Director
February 12, 2014