

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5992-01  
Bill No.: HB 1865  
Subject: Taxation and Revenue - Sales and Use; Utilities  
Type: Original  
Date: March 10, 2014

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Bill Summary: This proposal would modify provisions of law relating to sales and use tax exemptions for utilities used or consumed in the preparation of food.

**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	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</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 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
School District Trust	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Conservation Commission	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Parks, and Soil and Water	(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>(More than \$100,000)</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</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>
<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 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Local Government</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

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

BAP officials assume this proposal would exempt from sales tax the utilities, used in food preparation by restaurants and other food preparers.

ASSUMPTION (continued)

BAP officials noted that, according to tables provided by the United States Department of Commerce, Bureau of Economic Analysis, "food service and drinking places" use roughly 3% of the total "utilities" that are produced. Also, the Department of Revenue reported that taxable sales of utilities totaled about \$4.716 billion in 2013. These factors would suggest that this proposal might exempt \$141 million in taxable sales from taxation. This would annually reduce general revenues by \$4.2 million, education revenues by \$1.4 million, and other sales taxes similarly. However, actual losses may exceed this estimate, perhaps significantly, since the data above does not include "convenience stores" or other miscellaneous food preparers.

**Oversight** has no independent information regarding utility costs which might be exempted from state and local sales and use tax by this proposal, and will assume this proposal would result in revenue reductions in excess of \$100,000 per year for the General Revenue Fund, other state funds that receive sales tax revenues, and for local governments.

Officials from **St. Louis County** assume there would be an unknown revenue reduction to their organization.

Officials from the **City of Kansas City** assume there would be a substantial but unknown revenue reduction to their organization.

Officials from the **Joint Committee on Administrative Rules**, the **Department of Agriculture**, the **City of Jefferson City**, the **Department of Economic Development - Public Service Commission** and **Office of Public Counsel**, and the **St. Louis County Directors of Elections**, assume this proposal would have no fiscal impact their organizations.

Not responding

Officials from the **Office of the Secretary of State** and the **Department of Revenue** did not respond to our request for information.

**Oversight** assumes there would be no fiscal impact to the Office of the Secretary of State or the Department of Revenue.

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. 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, Joplin, Kansas City, 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.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
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**GENERAL REVENUE FUND**

Revenue reduction - DOR

Utility Sales Tax Exemption Section 144.030	(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 GENERAL REVENUE FUND</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 - State Government</u> (Continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>CONSERVATION COMMISSION FUND</b>			
<u>Revenue reduction - DOR</u>			
Utility Sales Tax Exemption Section 144.030	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</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>
<b>PARKS, AND SOIL AND WATER FUND</b>			
<u>Revenue reduction - DOR</u>			
Utility Sales Tax Exemption Section 144.030	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND</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>
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Revenue reduction - DOR</u>			
Utility Sales Tax Exemption Section 144.030	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )	(More than <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</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>

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

Revenue reduction - Sales tax

Utility Sales Tax Exemption Section 144.030	(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 LOCAL GOVERNMENTS</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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FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which prepare food for human consumption.

FISCAL DESCRIPTION

This proposal would authorize a state and local sales and use tax exemption for electricity, water, gas, and other utilities used or consumed in the preparation of food sold to customers for immediate consumption on or off the premises of a restaurant, cafeteria, fast food restaurant, delicatessen, convenience store, or other similar facility engaged in selling prepared food.

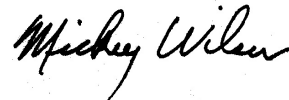
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Agriculture  
Department of Economic Development  
St. Louis County  
City of Jefferson City  
City of Kansas City

**Not responding:**

Office of the Secretary of State  
Department of Revenue



Mickey Wilson, CPA  
Director  
March 10, 2014

Ross Strobe  
Assistant Director  
March 10, 2014