

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0148-01
Bill No.: Truly Agreed To and Finally Passed SB 20
Subject: Taxation and Revenue- Sales and Use
Type: Original
Date: June 8, 2015

Bill Summary: This proposal would create a sales and use tax exemption for materials and utilities used by commercial laundries.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$1,250,000)	(\$1,500,000)	(\$1,500,000)
Total Estimated Net Effect on General Revenue	(\$1,250,000)	(\$1,500,000)	(\$1,500,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
School District Trust	(\$416,667)	(\$500,000)	(\$500,000)
Conservation Commission	(\$52,083)	(\$62,500)	(\$62,500)
Parks, and Soil and Water	(\$41,667)	(\$50,000)	(\$50,000)
Total Estimated Net Effect on Other State Funds	(\$510,417)	(\$612,500)	(\$612,500)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	(\$1,616,667)	(\$1,940,000)	(\$1,940,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this provision would provide a sales tax exemption for all materials, manufactured goods, machinery and parts, energy, chemicals, and other cleaning agents used to treat and clean textiles by commercial laundries. Based on information provided by the Department of Revenue, BAP officials estimated this provision would reduce Total State Revenue by \$2 million annually, of which \$1.4 million would be General Revenue.

Officials from the **Department of Revenue (DOR)** stated this proposal would not have any direct fiscal or administrative impact on their organization, and would not require any changes to DOR systems. DOR officials assume this proposal would exempt from sales and use taxes all materials, manufactured goods, utilities, etc, used by commercial or industrial laundries to treat, clean, and sanitize textiles in facilities which process at least 500 pounds of textiles per hour and 60,000 pounds per week.

DOR officials noted the Department has denied refund claims of approximately \$315,000 submitted by a small number of commercial laundries over the past three years. If this legislation were approved, the Department expects the frequency and dollar amount would dramatically increase, and assume this could reduce Total State Revenue by at least \$2 million annually.

Oversight notes the DOR estimate of reduction in Total State Revenue would indicate currently taxable sales of $(\$2,000,000 / .04225) = \47.3 million. For convenience, Oversight will round the estimate of taxable sales to \$50 million, and notes the sales tax on that amount of sales would be as shown below.

ASSUMPTION (continued)

Fund or entity	Sales Tax Rate	Revenue Reduction	
		Ten months	Full year
General Revenue	3.000%	\$1,250,000	\$1,500,000
Conservation Commission	0.125%	\$52,083	\$62,500
Parks, and Soil and Water	0.100%	\$41,667	\$50,000
School District Trust	1.000%	\$416,667	\$500,000
Total state	4.225%	\$1,760,417	\$2,112,500
Local governments *	3.880%	\$1,616,667	\$1,940,000
* The 3.88% local sales tax rate is an average calculated by Oversight based on collections reported by the Department of Revenue.			

Oversight will indicate a revenue reduction for this proposal as calculated above.

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

Officials from the **Department of Conservation (MDC)** assume this proposal would have an unknown negative fiscal impact to their organization, but greater than \$100,000. MDC officials assume the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Officials from the **Department of Natural Resources (DNR)** assume the Department of Revenue and the Office of Administration - Division of Budget and Planning would provide a more detailed account of the fiscal impact of this proposal.

ASSUMPTION (continued)

Officials from the **City of Kansas City** assume this proposal would result in a loss of revenue to their organization but stated they do not have the data needed to estimate the amount of revenue reduction.

Officials from **St. Francois County** assume this proposal would result in a loss of revenue to their organization but stated they could not estimate the amount of revenue reduction.

Officials from the **Office of the Secretary of State (SOS)** stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. SOS officials noted 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, SOS officials 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, and 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, St. Louis County, the Jackson County Election Board**, and the **St. Louis County Board of Elections** assume this proposal would not have a fiscal impact to their organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Revenue reduction</u>			
Sales tax exemption	<u>(\$1,250,000)</u>	<u>(\$1,500,000)</u>	<u>(\$1,500,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$1,250,000)</u>	<u>(\$1,500,000)</u>	<u>(\$1,500,000)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction</u>			
Sales tax exemption	<u>(\$416,667)</u>	<u>(\$500,000)</u>	<u>(\$500,000)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(\$416,667)</u>	<u>(\$500,000)</u>	<u>(\$500,000)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue reduction</u>			
Sales tax exemption	<u>(\$52,083)</u>	<u>(\$62,500)</u>	<u>(\$62,500)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(\$52,083)</u>	<u>(\$62,500)</u>	<u>(\$62,500)</u>
PARKS, AND SOIL AND WATER FUND			
<u>Revenue reduction</u>			
Sales tax exemption	<u>(\$41,667)</u>	<u>(\$50,000)</u>	<u>(\$50,000)</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	<u>(\$41,667)</u>	<u>(\$50,000)</u>	<u>(\$50,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
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LOCAL GOVERNMENTS

<u>Revenue reduction</u>			
Sales tax exemption	<u>(\$1,616,667)</u>	<u>(\$1,940,000)</u>	<u>(\$1,940,000)</u>

ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(\$1,616,667)</u>	<u>(\$1,940,000)</u>	<u>(\$1,940,000)</u>
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FISCAL IMPACT - Small Business

This proposal would result in lower sales taxes to small businesses involved in operating commercial laundry facilities.

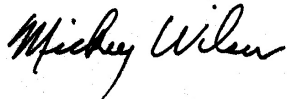
FISCAL DESCRIPTION

The proposed legislation would create a sales and use tax exemption for materials and utilities used by commercial laundries.

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
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Conservation
Department of Natural Resources
Department of Revenue
St. Louis County
St. Francois County
Kansas City
Jackson County Election Board
St. Louis County Board of Elections



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June 8, 2015