

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4443-03
Bill No.: Perfected SB 1025
Subject: Taxation and Revenue - Sales and Use
Type: Original
Date: April 6, 2016

Bill Summary: This proposal exempts instructional classes from sales tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
School District Trust	(Unknown)	(Unknown)	(Unknown)
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
Parks, and Soil & Water	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on Other State Funds	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Sections 144.030, RSMo. - Sales and Use Tax Exemption Instructional class.

Officials from the **Department of Revenue (DOR)** noted this legislation proposal would have no fiscal impact on their agency.

Administrative impact

DOR officials did not include any estimate of administrative impact for this provisions, and **Oversight** assumes this provision could be implemented with existing resources

Officials from the **Office of Administration - Division of Budget and Planning (B&P)** assume this proposal would provide sales tax exemptions for fitness facility fees.

B&P officials noted this proposal would exempt charges for instructional classes from state and local sales tax. The B&P response included an estimated fiscal impact as shown in the following table.

Fund or entity	FY 2017	FY 2018	FY 2019
General Revenue	(\$5,700,000)	(\$6,900,000)	(\$6,900,000)
Education	(\$1,900,000)	(\$2,300,000)	(\$2,300,000)
Conservation	(\$200,000)	(\$300,000)	(\$300,000)
Park, Soil, Water	(\$200,000)	(\$200,000)	(\$200,000)
Total State Revenue	(\$8,000,000)	(\$9,700,000)	(\$9,700,000)
Local Funds	(\$8,000,000)	(\$9,700,000)	(\$9,700,000)

ASSUMPTION (continued)

Officials from the **Department of Natural Resources** assume this proposal would authorize an exemption on instructional classes from sales tax and further assume DOR and B&P will provide a detailed fiscal impact.

Officials from the **Department of Conservation** assume this proposal would authorize an exemption on instructional classes from sales tax and further assume DOR will provide a detailed fiscal impact.

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

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.

Due to the lack of data to determine current revenue receipts from instructional classes which will be exempted by this proposal, **Oversight** will show the estimated revenue loss as unknown.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (6 Mo.)	FY 2018	FY 2019
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GENERAL REVENUE FUND

Revenue reduction

Sales tax exemption for instructional classes	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>FISCAL IMPACT - State Government</u> (continued)	FY 2017 (6 Mo.)	FY 2018	FY 2019
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction</u> Sales tax exemption for instructional classes	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue reduction</u> Sales tax exemption for instructional classes	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PARKS, AND SOIL AND WATER FUND			
<u>Revenue reduction</u> Sales tax exemption for instructional classes	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (6 Mo.)	FY 2018	FY 2019
LOCAL GOVERNMENTS			
<u>Revenue reduction</u>			
Sales tax exemption for instructional classes.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT - Small Business

Small businesses which operate fitness facilities, gyms and dance studios would collect and pay lower sales taxes if this proposal is enacted.

FISCAL DESCRIPTION

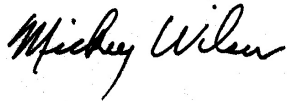
This proposal creates a state and local sales and use tax exemption for the amounts paid for instructional classes.

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

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SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning
Office of the Secretary of State
Department of Natural Resources
Department of Conservation
Joint Committee on Administrative Rules



Mickey Wilson, CPA
Director
April 6, 2016

Ross Strobe
Assistant Director
April 6, 2016