

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4443-03
Bill No.: Truly Agreed To and Finally Passed SB 1025
Subject: Taxation and Revenue - Sales and Use
Type: Original
Date: June 1, 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, could exceed \$100,000)	(Unknown, could exceed \$100,000)	(Unknown, could exceed \$100,000)
Total Estimated Net Effect on General Revenue	(Unknown, could exceed \$100,000)	(Unknown, could exceed \$100,000)	(Unknown, could exceed \$100,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
School District Trust	(Unknown, could exceed \$100,000)	(Unknown, could exceed \$100,000)	(Unknown, could exceed \$100,000)
Conservation Commission	(Unknown, could exceed \$100,000)	(Unknown, could exceed \$100,000)	(Unknown, could exceed \$100,000)
Parks, and Soil & Water	(Unknown, could exceed \$100,000)	(Unknown, could exceed \$100,000)	(Unknown, could exceed \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown, could exceed \$100,000)	(Unknown, could exceed \$100,000)	(Unknown, could exceed \$100,000)

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, could exceed \$100,000)	(Unknown, could exceed \$100,000)	(Unknown, could exceed \$100,000)

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 with an unknown negative impact in excess of \$100,000 annually, 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** assume no fiscal impact.

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
GENERAL REVENUE FUND			
<u>Revenue reduction</u>			
Sales tax exemption for instructional classes §144.010, 144.018, 144.020	<u>(Unknown, could exceed \$100,000)</u>	<u>(Unknown, could exceed \$100,000)</u>	<u>(Unknown, could exceed \$100,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown, could exceed \$100,000)</u>	<u>(Unknown, could exceed \$100,000)</u>	<u>(Unknown, could exceed \$100,000)</u>

FISCAL IMPACT- State Government
(continued)

FY 2017
(6 Mo.)

FY 2018

FY 2019

SCHOOL DISTRICT TRUST FUND

Revenue reduction

Sales tax exemption for instructional
 classes §144.010, 144.018, 144.020

(Unknown,
could exceed
\$100,000)

(Unknown,
could exceed
\$100,000)

(Unknown,
could exceed
\$100,000)

**ESTIMATED NET EFFECT ON
 SCHOOL DISTRICT TRUST FUND**

(Unknown,
could exceed
\$100,000)

(Unknown,
could exceed
\$100,000)

(Unknown,
could exceed
\$100,000)

**CONSERVATION COMMISSION
 FUND**

Revenue reduction

Sales tax exemption for instructional
 classes §144.010, 144.018, 144.020

(Unknown,
could exceed
\$100,000)

(Unknown,
could exceed
\$100,000)

(Unknown,
could exceed
\$100,000)

**ESTIMATED NET EFFECT ON
 CONSERVATION COMMISSION
 FUND**

(Unknown,
could exceed
\$100,000)

(Unknown,
could exceed
\$100,000)

(Unknown,
could exceed
\$100,000)

**PARKS, AND SOIL AND WATER
 FUND**

Revenue reduction

Sales tax exemption for instructional
 classes §144.010, 144.018, 144.020

(Unknown,
could exceed
\$100,000)

(Unknown,
could exceed
\$100,000)

(Unknown,
could exceed
\$100,000)

**ESTIMATED NET EFFECT ON
 PARKS, AND SOIL AND WATER
 FUND**

(Unknown,
could exceed
\$100,000)

(Unknown,
could exceed
\$100,000)

(Unknown,
could exceed
\$100,000)

<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 §144.010, 144.018, 144.020	<u>(Unknown, could exceed \$100,000)</u>	<u>(Unknown, could exceed \$100,000)</u>	<u>(Unknown, could exceed \$100,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown, could exceed \$100,000)</u>	<u>(Unknown, could exceed \$100,000)</u>	<u>(Unknown, could exceed \$100,000)</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.

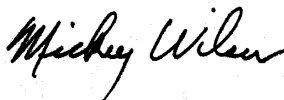
FISCAL DESCRIPTION

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.

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



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