

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5094-02
Bill No.: SB 794
Subject: Health Care; Taxation and Revenue - Sales and Use
Type: Original
Date: January 20, 2016

Bill Summary: This proposal creates a sales tax exemption for all sales, rentals, accessories, repairs, parts of durable medical equipment as well as for parts and accessories for certain types of health care related equipment.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(Less than \$27,800,000)	(Less than \$33,300,000)	(Less than \$33,300,000)
Total Estimated Net Effect on General Revenue	(Less than \$27,800,000)	(Less than \$33,000,000)	(Less than \$33,300,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
School District Trust	(Less than \$9,300,000)	(Less than \$11,100,000)	(Less than \$11,100,000)
Conservation Commission	(Less than \$1,200,000)	(Less than \$1,400,000)	(Less than \$1,400,000)
Parks, Soil & Water	(Less than \$900,000)	(Less than \$1,100,000)	(Less than \$1,100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Less than \$11,400,000)	(Less than \$13,600,000)	(Less than \$13,600,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 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	(Less than \$39,200,000)	(Less than \$46,900,000)	(Less than \$46,900,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (B&P)** assume the proposal could reduce Total State Revenues (TSR) by less than \$46.9 million and General Revenue by less than \$33.3 million in FY 2018 and thereafter. In FY 2017, TSR will be reduced by less than \$39.2 million and General Revenue by less than \$27.8 million. This proposal will impact the calculation under Article X, Section 18(c).

B&P noted this proposal would exempt all sales, rentals accessories, repairs and parts of durable medical equipment. This proposed exemption would be in addition to other durable medical equipment that is currently exempt from sales tax.

Based on data from the U.S. Bureau of Economic Analysis, in 2014 there were \$64.6 billion in durable therapeutic devices and equipment sold in the U.S. B&P estimates that Missouri's share of this market was \$1.1 billion. However, B&P was not able to determine the amount of the Missouri market that is currently already exempt from sales tax. Therefore, B&P estimates that this proposal will decrease Total State Revenues by less than \$46.9 million (\$1.1 billion x 4.225%) and General Revenue by less than \$33.3 million in FY18 and thereafter. If additional data becomes available, B&P will update this estimate.

Officials from the **Department of Revenue (DOR)** noted this proposal would not have a fiscal impact to DOR, but will reduce state revenues.

Officials from the **Department of Conservation (MDC)** noted this proposal would have a negative fiscal impact of greater than \$100,000 on MDC. MDC assumed the DOR would be better able to estimate the anticipated 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

ASSUMPTION (continued)

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 **Mississippi County**, the **Jackson County Election Board**, and the **St. Louis County Director of Elections** indicated they would not realize a fiscal impact if this proposal was enacted.

Officials from the **City of Kansas City** and the **St. Louis County** government indicated an unknown loss of revenue will be experienced if this proposal is enacted.

Counties

Officials at the following counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Cole, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jasper, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, Shelby, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to **Oversight's** request for fiscal impact.

Cities

Officials at the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Des Peres, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Pineville, 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 **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE FUND			
<u>Revenue Reduction</u>			
Sales tax exemption-sales, rentals, accessories, repairs, parts of durable medical equipment as well as parts and accessories for certain types of health care related equipment	(Less than <u>\$27,800,000</u>)	(Less than <u>\$33,300,000</u>)	(Less than <u>\$33,300,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(Less than <u>\$27,800,000</u>)	(Less than <u>\$33,300,000</u>)	(Less than <u>\$33,300,000</u>)
SCHOOL DISTRICT TRUST FUND			
<u>Revenue Reduction</u>			
Sales tax exemption-sales, rentals, accessories, repairs, parts of durable medical equipment as well as parts and accessories for certain types of health care related equipment	(Less than <u>\$9,300,000</u>)	(Less than <u>\$11,100,000</u>)	(Less than <u>\$11,100,000</u>)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	(Less than <u>\$9,300,000</u>)	(Less than <u>\$11,100,000</u>)	(Less than <u>\$11,100,000</u>)

FISCAL IMPACT - State Government
 (continued)

FY 2017
 (10 Mo.)

FY 2018

FY 2019

**CONSERVATION COMMISSION
 FUND**

Revenue Reduction

Sales tax exemption-sales, rentals,
 accessories, repairs, parts of durable
 medical equipment as well as parts and
 accessories for certain types of health care
 related equipment

(Less than
\$1,200,000)

(Less than
\$1,400,000)

(Less than
\$1,400,000)

**ESTIMATED NET EFFECT ON
 CONSERVATION COMMISSION
 FUND**

(Less than
\$1,200,000)

(Less than
\$1,400,000)

(Less than
\$1,400,000)

**PARKS, AND SOIL AND WATER
 FUND**

Revenue Reduction

Sales tax exemption-sales, rentals,
 accessories, repairs, parts of durable
 medical equipment as well as parts and
 accessories for certain types of health care
 related equipment

(Less than
\$900,000)

(Less than
\$1,100,000)

(Less than
\$1,100,000)

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

(Less than
\$900,000)

(Less than
\$1,100,000)

(Less than
\$1,100,000)

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
LOCAL GOVERNMENTS			
<u>Revenue Reduction</u>			
Sales tax exemption-sales, rentals, accessories, repairs, parts of durable medical equipment as well as parts and accessories for certain types of health care related equipment	(Less than <u>\$39,200,000</u>)	(Less than <u>\$46,900,000</u>)	(Less than <u>\$46,900,000</u>)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	(Less than <u>\$39,200,000</u>)	(Less than <u>\$46,900,000</u>)	(Less than <u>\$46,900,000</u>)

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses involved in sales, rentals, accessories, repairs, parts of durable medical equipment as well parts and accessories for certain types of health care related equipment.

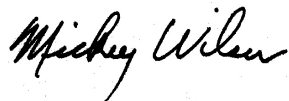
FISCAL DESCRIPTION

This act creates a sales tax exemption for all sales, rentals, accessories, repairs, parts of durable medical equipment as well as for parts and accessories for certain types of health care related equipment.

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 Administration - Budget and Planning
Department of Revenue
Department of Conservation
Joint Committee on Administrative Rules
Office of the Secretary of State
Mississippi County
Jackson County
St. Louis County
Kansas City



Mickey Wilson, CPA
Director
January 20, 2016

Ross Strobe
Assistant Director
January 20, 2016