

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5094-05  
Bill No.: Truly Agreed To and Finally Passed SCS for SB 794  
Subject: Health Care; Taxation and Revenue - Sales and Use  
Type: Original  
Date: June 1, 2016

Bill Summary: This proposal creates a sales tax exemption for parts of certain types of medical equipment.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Could exceed \$100,000)</b>	<b>(Could exceed \$100,000)</b>	<b>(Could exceed \$100,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
School District Trust	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
Conservation Commission	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
Parks, Soil & Water	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Could exceed \$300,000)</b>	<b>(Could exceed \$300,000)</b>	<b>(Could exceed \$300,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</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 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>(Could exceed \$100,000)</b>	<b>(Could exceed \$100,000)</b>	<b>(Could exceed \$100,000)</b>

## FISCAL ANALYSIS

### ASSUMPTION

**Oversight** notes that under current law, the initial purchase of qualified medical equipment is exempt from state and local sales tax. Replacement parts under current law are taxable. Oversight notes this proposal would make replacement parts tax exempt.

**Office of Administration-Division of Budget and Planning (B&P)** assume the proposal could reduce Total State Revenues (TSR) by less than \$22.5 million and General Revenue by less than \$16 million in FY 2018 and thereafter. In FY 2017, TSR will be reduced by less than \$18.7 million and General Revenue by less than \$13.3 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 refined data from the U.S. Bureau of Economic Analysis, in 2014 there were \$30.9 billion in durable therapeutic devices and equipment sold in the U.S. B&P estimates that Missouri's share of this market was \$532.1 million. 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 \$22.5 million (\$533 million x 4.225%) and General Revenue by less than \$16 million in FY18 and thereafter.

**Oversight** notes that upon additional research, approximately 14% of the Missouri's population is covered by Medicaid, and nationally, approximately 22% of healthcare spending is covered by Medicare. Oversight notes that Medicaid and Medicare are already exempt from state and local sales tax. Oversight has adjusted the \$533 million base by 36% to remove the Medicaid and Medicare portion. Oversight notes this new taxable base number of \$341 million does not take into consideration the amount of purchases covered by government employees covered by their employer. Oversight is unable to determine what portion of the \$341 million is for replacement parts. Oversight will show the impact as could exceed \$100,000 to all affected state and local funds.

Officials from the **Department of Revenue (DOR)** noted this proposal would not have an administrative impact to DOR.

ASSUMPTION (continued)

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 **Department of Natural Resources (DNR)** noted that DNR Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax. DNR assumes DOR and B&P will provide an account of the 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.

In response to an earlier version of the proposal, officials from **Mississippi County**, the **Jackson County Election Board**, the **Platte County Board of Elections** 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 **St. Louis County** indicated an unknown loss of revenue will be experienced if this proposal is enacted.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
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**GENERAL REVENUE FUND**

<u>Revenue Reduction</u> - Sales tax exemption- parts of certain type of medical equipment §144.030	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )
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<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>(Could exceed <u>\$100,000</u>)</b>	<b>(Could exceed <u>\$100,000</u>)</b>	<b>(Could exceed <u>\$100,000</u>)</b>
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**SCHOOL DISTRICT TRUST FUND**

<u>Revenue Reduction</u> Sales tax exemption-parts of certain type of medical equipment §144.030	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )
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<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b>(Could exceed <u>\$100,000</u>)</b>	<b>(Could exceed <u>\$100,000</u>)</b>	<b>(Could exceed <u>\$100,000</u>)</b>
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**CONSERVATION COMMISSION  
FUND**

<u>Revenue Reduction</u> Sales tax exemption-parts of certain type of medical equipment §144.030	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )
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<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b>(Could exceed <u>\$100,000</u>)</b>	<b>(Could exceed <u>\$100,000</u>)</b>	<b>(Could exceed <u>\$100,000</u>)</b>
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FISCAL IMPACT - State Government                      FY 2017                      FY 2018                      FY 2019  
 (continued)                      (10 Mo.)

**PARKS, AND SOIL AND WATER  
 FUND**

Revenue Reduction

Sales tax exemption-parts of certain type of medical equipment §144.030	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )
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<b>ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND</b>	<b>(Could exceed <u>\$100,000</u>)</b>	<b>(Could exceed <u>\$100,000</u>)</b>	<b>(Could exceed <u>\$100,000</u>)</b>
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FISCAL IMPACT - Local Government                      FY 2017                      FY 2018                      FY 2019  
 (10 Mo.)

**LOCAL GOVERNMENTS**

Revenue Reduction

Sales tax exemption-parts of certain type of medical equipment §144.030	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )
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<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b>(Could exceed <u>\$100,000</u>)</b>	<b>(Could exceed <u>\$100,000</u>)</b>	<b>(Could exceed <u>\$100,000</u>)</b>
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FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses involved in sales of parts of certain types of medical equipment.

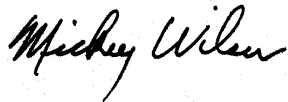
FISCAL DESCRIPTION

This act creates a sales tax exemption for all sales of parts of certain types of medical 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  
Platte County



Mickey Wilson, CPA  
Director  
June 1, 2016

Ross Strobe  
Assistant Director  
June 1, 2016