

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0031-03  
Bill No.: SCS for SB 16  
Subject: Taxation and Revenue - Sales and Use; Revenue Department  
Type: Original  
Date: January 26, 2017

Bill Summary: This proposal would exempt delivery charges from sales and use taxes.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
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, and Soil and 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 \$100,000)</b>	<b>(Could exceed \$100,000)</b>	<b>(Could exceed \$100,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 9 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</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 2018</b>	<b>FY 2019</b>	<b>FY 2020</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 2018</b>	<b>FY 2019</b>	<b>FY 2020</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**

Officials from the **Department of Revenue** assume this proposal would have no fiscal impact on their organization but would reduce state revenues. We requested additional information from DOR officials and we were told the amount was unknown but could exceed \$100,000 per year.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** stated this proposal would exempt all delivery charges from sales tax. BAP officials stated they performed an extensive search of state and national data and could not find any datasets where delivery fees or charges were separated from gross receipts. BAP officials made an estimate of lost revenue using industry data for pizza deliveries.

According to data reviewed by BAP officials, there are approximately three billion pizzas sold in the United States each year and BAP estimated that approximately 51 million pizzas are sold within Missouri. Based on industry data, about half of all pizzas sold are for delivery, and thus subject to a delivery fee. Also based on industry data, BAP estimated that the average pizza delivery fee is \$3.00. Based on this information, B&P estimates that would exempt approximately \$76.5 million in delivery fees from pizza deliveries alone. Therefore, BAP estimates that this proposal would reduce Total State Revenue by more than \$3.2 million per year and General Revenue by more than \$2.3 million per year.

BAP officials provided an estimate of reductions to state and local funds as follows.

Fund or Entity	Revenue Reduction	
	FY 2018	FY 2019 and FY 2020
General Revenue Fund	More than \$1,900,000	More than \$2,300,000
School District Trust Fund	More than \$600,000	More than \$800,000
Conservation Commission Fund	More than \$100,000	More than \$100,000
Parks, Soil, and Water Funds	More than \$100,000	More than \$100,000
Total State Funds	More than \$2,700,000	More than \$3,200,000
Local Governments	More than \$2,300,000	More than \$2,800,000

ASSUMPTION (continued)

**BAP** officials noted that their estimate is a minimum only, since they could not estimate the loss to state revenues from deliveries for items such as flowers, groceries, rock and gravel, heavy machinery, and any other tangible good that could qualify, as there was no state or federal delivery data available for these businesses.

Officials from the **Department of Conservation (MDC)** assume this proposal would have an unknown negative fiscal impact, but greater than \$100,000. MDC officials stated that Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to the Missouri Constitution. The Department assumes 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)** did not provide an estimate of fiscal impact for this proposal, but stated that the Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to the Missouri Constitution. Therefore, any additional sales and use tax exemption would reduce revenue to the Parks and Soils Sales Tax Funds.

Officials from the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules**, **St. Louis County**, the **Kansas City Public Schools** the **Jackson County Election Board**, and the **St. Louis County Directors of Elections** assume this proposal would have no fiscal impact on their organizations.

Officials from **Callaway County** assume this proposal would have an unknown fiscal impact on their organization.

Officials from the **Forsyth R-III School District** and the **Kirksville R-III School District** assume this proposal would have a negative fiscal impact on their organizations but did not provide an estimate of that impact.

Officials from **Cole County** and the **City of Kansas City** assume this proposal would have an unknown negative impact on their organizations.

Officials from the **West Plains School District** assumed a previous version of this proposal would have no fiscal impact on their organization.

ASSUMPTION (continued)

Officials from and the **Wentzville School District** assumed a previous version of this proposal would have a negative unknown fiscal impact on their organizations.

Officials from the **Warren County R-III School District** stated they could not provide an estimate of the fiscal impact of a previous version of this proposal.

Officials from the following counties: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, Boone, Buchanan, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Cooper, Daviess, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Mississippi, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne, Webster and Worth did not respond to our request for information.

Officials the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, 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 our request for information.

ASSUMPTION (continued)

Officials from the following school districts: Arcadia Valley R-2, Avilla R-13, Bakersfield, Belton, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Branson, Brentwood, Bronaugh R-7, Campbell R-2, Carrollton R-7, Caruthersville, Cassville R-4, Central R-III, Chilhowee R-4, Chillicothe R-II, Clarkton C-4, Cole R-I, Columbia, Concordia R-2, Crawford County R-1, Crocker R-II, Delta C-7, East Carter R-2, East Newton R-6, Eldon R-I, Everton R-III, Fair Grove, Fair Play, Fayette R-3, Fox C-6, Fredericktown R-I, Fulton, Grain Valley, Hancock Place, Hannibal, Harrisonburg R-8, Harrisonville, Hillsboro R-3, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jefferson City, Kearney R-1, Kennett #39, King City R-1, Kingston 42, Kirbyville R-VI, Lee Summit, Leeton R-10, Lewis County C-1, Lindbergh, Lonedell R-14, Macon County R-1, Macon County R-4, Malta Bend, Mehville, Meramec Valley R-3, Mexico, Middle Grove C-1, Midway R-1, Milan C-2, Moberly, Monroe City R-I, Morgan County R-2, New Haven, Nixa, North St. Francois Co. R-1, Northeast Nodaway R-5, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osage County R-II, Osborn R-O, Parkway, Pattonville, Pettis County R-12, Pierce City, Plato R-5, Princeton R-5, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Richland R-1, Richmond R-XVI, Riverview Gardens, Salisbury R-4, Sarcoxie R-2, Scotland County R-I, Sedalia, Seymour R-2, Shelby County R-4, Shell Knob #78, Sikeston, Silex, Smithville R-2, Special School District of St. Louis County, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Sullivan, Valley R-6, Verona R-7, Warrensburg R-6, Webster Groves, Westview C-6 and the Wright City R-2 School District did not respond to our request for information.

**Oversight** assumes this proposal would provide a broad exemption from sales and use taxes for all types of shipping and delivery charges and for individuals as well as businesses. Oversight notes that estimates have been prepared by the Office of Administration - Division of Budget and Planning based on the best available external information.

**Oversight** has reviewed information from DOR officials and the DOR website indicating that merchants were notified of a Missouri Supreme Court decision (the Alberici case) in July, 2016 after the opinion was finalized in March, 2015. Oversight assumes the fiscal impact of the proposed sales tax exemption is based on estimated revenues under current law as compared to estimated revenues under the proposed changes, and assumes the exemption in this proposal could result in revenue reductions. Oversight also notes that actual collections under current law are dependent on the level of taxpayer compliance with periodic notices the Department of Revenue provides. The Department of Revenue or the Office of Administration - Division of Budget and Planning have not provided information on actual collections from sales tax on shipping and delivery charges.

ASSUMPTION (continued)

**Oversight** will assume for fiscal note purposes that the revenue reduction from this proposal could exceed \$100,000 for those state funds which receive sales tax revenues, and for local governments.

	FY 2018	FY 2019	FY 2020
<u>FISCAL IMPACT - State Government</u>	(10 Mo.)		
<b>GENERAL REVENUE</b>			
<u>Revenue reduction - sales tax exemption for shipping and delivery charges.</u>	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</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>
<b>SCHOOL DISTRICT TRUST</b>			
<u>Revenue reduction - sales tax exemption for shipping and delivery charges.</u>	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST</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>
<b>CONSERVATION COMMISSION</b>			
<u>Revenue reduction - sales tax exemption for shipping and delivery charges.</u>	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )	(Could exceed <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION</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>

<u>FISCAL IMPACT - State Government</u>	FY 2018	FY 2019	FY 2020
(Continued)	(10 Mo.)		

**PARKS, AND SOIL AND WATER**

<u>Revenue reduction</u> - sales tax exemption for shipping and delivery charges.	(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</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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<u>FISCAL IMPACT - Local Government</u>	FY 2018	FY 2019	FY 2020
	(10 Mo.)		

**LOCAL GOVERNMENTS**

<u>Revenue reduction</u> - sales tax exemption for shipping and delivery charges.	(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 an impact to a small business which provides delivery services or which purchases goods or services which are subject to a delivery charge.

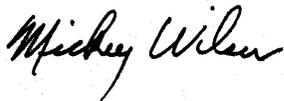
FISCAL DESCRIPTION

This proposal would create a sales tax exemption for delivery charges that are separately stated from the sales price.

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  
Callaway County  
Cole County  
St. Louis County  
City of Kansas City  
Forsyth R-III School District  
Kansas City Public Schools  
Kirksville R-III School District  
Warren County R-III School District  
Wentzville School District  
West Plains School District  
Jackson County Election Board  
St. Louis County Directors of Elections



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