

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0140-03
Bill No.: SCS for SB 80
Subject: Taxation and Revenue - Sales and Use
Type: Original
Date: March 6, 2017

Bill Summary: This proposal would exempt organizations exempted from federal income tax under Section 501(c)(7) from Missouri sales and use taxes on charges for initiation fees or dues.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
Total Estimated Net Effect on General Revenue	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
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)
Total Estimated Net Effect on <u>Other</u> State Funds	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (B&P)** provided the following response.

This proposal would create a sales tax exemption for initiation or membership fees to any non-profit organization that is designated as a 501 © (7) for federal income tax purposes.

Based on data from the United States Census Bureau, there were 333 businesses that could qualify with total membership fees of \$102.7 million in 2002, the most recent year data is available. Adjusting for inflation from 2002 through 2016, B&P estimates that total membership fees could total \$137.1 million in 2016 dollars. B&P notes, however, that some of these businesses may already have sales tax exemptions granted by DOR. Therefore, B&P estimates that this proposal could reduce Total State Revenue by less than \$5.8 million and General Revenue by less than \$4.1 million annually.

Oversight assumes the BAP estimate of potentially taxable sales is the best available and notes this proposal would have the following calculated impact based on \$137.1 million in taxable sales.

Entity	Rate	FY 2018 (Ten months)	FY 2019 and FY 2020
General Revenue Fund	3.000%	\$3,400,000	\$4,100,000
School District Trust Fund	1.000%	\$1,100,000	\$1,400,000
Conservation Commission Fund	0.125%	\$100,000	\$200,000
Parks, and Soul and Water Fund	0.100%	\$100,000	\$100,000
Local Governments	3.55% *	\$4,100,000	\$4,900,000

*average local sales tax rate estimated by Oversight based on reported collections.

ASSUMPTION (continued)

Oversight has no independent information as to the amounts of sales and use taxes that are currently being collected and remitted from organizations which would be exempted by this proposal. Oversight assumes actual current collections of sales tax from the subject organizations under existing law and DOR procedures could be less than the amounts calculated by the Office of Administration - Division of Budget and Planning (B&P). In addition, B&P officials noted that some organizations in the industry category used to calculate the estimate may already be exempted from sales and use tax.

Oversight will assume, for fiscal note purposes, the annual revenue reduction for the state funds which receive sales and use tax revenues, and for local governments could exceed \$100,000.

Officials from the **Missouri Department of Conservation (MDC)** assume this proposal would have an unknown negative fiscal impact on their organization, but potentially greater than \$100,000. MDC officials stated the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to the Missouri Constitution, and assume the Department of Revenue would be better able to estimate the anticipated fiscal impact from this proposal.

Officials from the **Department of Natural Resources (DNR)** stated that sales and use tax exemptions as provided in this proposal reduce the amount of funding available in the Parks and Soils Sales Tax Funds. DNR officials noted the Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to the Missouri Constitution. DNR officials deferred to the Department of Revenue for a more detailed estimate of the fiscal impact.

Officials from the **Department of Revenue** assume this proposal would not have a fiscal impact on their organization but would reduce state revenues.

Officials from the **Special School District of St. Louis County** provided a response but stated they were not able to estimate the fiscal impact of this proposal.

Officials from the **City of Columbia** assumed their organization would have a minimal impact from a previous version of this proposal.

Officials from the **City of Kansas City** and the **Wentzville School District** assumed a previous version of this proposal would reduce revenues to their organization by an unknown amount.

ASSUMPTION (continued)

Officials from **St. Louis County** assume this proposal would reduce revenues to their organization by an unknown amount.

Officials from the **Everton School District** assumed a previous version of this proposal would reduce revenues to their organization by \$20,000 annually.

Officials from the **Kirkville R-III School District** assume this proposal would have an unknown negative impact to their organization.

Officials from the **University of Missouri - Economic and Policy Analysis Research Center** stated they were not able to provide an estimate of fiscal impact for this proposal.

Officials from the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules**, the **Seymour School District**, the **West Plains School District**, the **Jackson County Election Board**, and the **Platte County Board of Elections** assume this proposal would have no fiscal impact on their organizations.

Officials from **Callaway County**, the **Kansas City School District**, and the **Pettis County R-XII School District** assumed a previous version of this proposal would have no fiscal impact on their organizations.

Officials from the **Warren County R-III School District** stated they could not determine the fiscal impact for 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, Cole, 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.

ASSUMPTION (continued)

Officials the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, 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.

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, Fair Grove, Fair Play, Fayette R-3, Forsyth 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, 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, 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.

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

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

PARKS, AND SOIL AND WATER FUND

<u>Revenue reduction - sales tax exemption</u>	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
--	-------------------------------------	-------------------------------------	-------------------------------------

ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
---	--	--	--

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

LOCAL GOVERNMENTS

<u>Revenue reduction - sales tax exemption</u>	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
--	-------------------------------------	-------------------------------------	-------------------------------------

ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
--	--	--	--

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

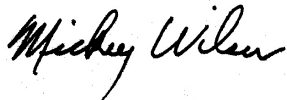
FISCAL DESCRIPTION

This proposal would exempt organizations exempted from federal income tax under Section 501(c)(7) from Missouri sales and use taxes on charges for initiation fees or dues.

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
University of Missouri
 Economic and Policy Analysis Research Center
Callaway County
City of Columbia
City of Kansas City
Everton School District
Kansas City School District
Kirksville R-III School District
Pettis County R-XII School District
Warren County R-III School District
Wentzville School District
West Plains School District
Jackson County Election Board



Mickey Wilson, CPA
Director
March 6, 2017

Ross Strobe
Assistant Director
March 6, 2017