

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5130-01  
Bill No.: SB 625  
Subject: Taxation and Revenue - Sales and Use  
Type: Original  
Date: January 5, 2018

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Bill Summary: This proposal modifies certain sales and use tax exemptions.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</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 2019</b>	<b>FY 2020</b>	<b>FY 2021</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 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this bill would add telecommunications to the manufacturing sales tax exemption. B&P notes that this exemption was originally granted by the Missouri Supreme Court beginning in 2002. While the Missouri Supreme Court reversed that decision in the spring of 2016, statutory changes have prevented DOR from sending notice to taxpayers of the exemption change; therefore, DOR is not currently collecting these taxes. B&P estimates that this proposal will not impact Total State Revenue or the calculation under Article X, Section 18(e).

Officials at the **Department of Natural Resources** assume this proposal creates a state and local sales tax exemption for electronic communications services. The Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Therefore, any additional state and local sales tax exemption could be a loss to the Parks and Soils Sales Tax Funds. These funds have been used for the acquisition and development, maintenance, and operation of state parks and historic sites and to assist agricultural landowners through voluntary programs.

Officials at the **Department of Conservation** assume this could potentially impact the Department with an Unknown negative fiscal impact. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43(a) of 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 at the **Department of Elementary and Secondary Education (DESE)** assume other than the potential impact on the revenue stream of state and local governments (which our department has no means to calculate) this proposal does not impact DESE.

Officials at the **Office of the Attorney General (AGO)** assume that any potential costs arising from this proposal can be absorbed with existing resources. AGO may seek additional appropriations if there is a significant increase in litigation.

Officials at the **Administrative Hearing Commission** assume this will not significantly alter their caseload. If similar bills pass, resulting in more cases, there will be fiscal impact.

Officials at the **Department of Revenue** assume there is no fiscal impact from this proposal.

ASSUMPTION (continued)

Officials at the **City of Kansas City** assume this legislation would have a negative fiscal impact on Kansas City in an indeterminate amount. By redefining the term "product" to include telecommunication services and "manufacturing" to include electronic transmissions, additional sales tax exemptions are being proposed. In general, increasing the number of sales tax exemptions has a negative impact on the City because it limits the City's ability to collect sales tax

Officials at the **Kirksville R-III** and the **Summersville R-II School Districts** each assume any time an exemption is given, it negatively impacts the district.

Officials at the **West Plains** and the **Montgomery County R-II School Districts** each assume a loss of an unknown amount.

Officials at the **St. Louis County Board of Election Commission** and the **Jackson County Board of Election Commission** each assume there is no fiscal impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

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

City of Kansas City  
Department of Conservation  
Department of Elementary and Secondary Education  
Department of Natural Resources  
Department of Revenue  
Jackson County Board of Election Commission  
Kirksville R-III School District  
Montgomery County R-II School District  
Office of Administration  
    Division of Budget and Planning  
    Administrative Hearing Commission  
Office of the Attorney General  
St. Louis County Board of Election Commission  
Summersville R-II School District  
West Plains School District

Ross Strope



Acting Director  
January 5, 2018