

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5130-01
Bill No.: Perfected SB 625
Subject: Taxation and Revenue - Sales and Use
Type: Original
Date: February 21, 2018

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

FISCAL SUMMARY

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

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

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

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.

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 Elections** and the **Jackson County Board of Election Commissioners** 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 Commissioners
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 Elections
Summersville R-II School District
West Plains School District

Ross Strope



Acting Director
February 21, 2018