

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2356S.01I
Bill No.: SB 483
Subject: Taxation and Revenue - Sales and Use
Type: Original
Date: March 10, 2021

Bill Summary: This proposal provides a sales tax exemption for the sale of certain medical devices.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	(\$56,700)	(\$68,040)	(\$68,040)
Total Estimated Net Effect on General Revenue	(\$56,700)	(\$68,040)	(\$68,040)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Park, Soil, and Water Fund (0614)	(\$1,890)	(\$2,268)	(\$2,268)
Conservation Commission Fund (0609)	(\$2,363)	(\$2,835)	(\$2,835)
School District Trust Fund (0688)	(\$18,900)	(\$22,680)	(\$22,680)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$23,153)	(\$27,783)	(\$27,783)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	(\$75,222)	(\$90,266)	(\$90,266)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration – Budget & Planning (B&P)** and **Department of Revenue (DOR)** both assume this proposal would have a direct fiscal impact to the State and General Revenues.

Officials from the **B&P** and **DOR** assume that this proposal would allow the sales of all class III medical devices identified under Section 513(a)(a)(C) of the Federal Food, Drug, and Cosmetic Act as codified in 21 U.S.C. 360(c)(1)(C) that use electric fields for the purposes of the treatment of cancer including components and repair parts and the disposable or single patient use supplies required for the use of such devices would be exempt from all state and local sales and use taxes.

Class III medical devices are those devices that have a high risk to the patient and/or user. These devices usually sustain or support life, are implanted, or present potential unreasonable risk of illness or injury. They represent 10% of medical devices regulated by the FDA. Given this proposal requires the Class III device must use electric fields for the purpose of treating cancer it appears this reduces the qualifying devices to two devices. These devices are used for treating glioblastoma and mesothelioma.

There are an estimated 240,000 patients annually with glioblastoma. Per the company website that makes this product they have treated 15,000 patients with glioblastoma with their product. Therefore only 6.3% of the eligible patients are using the product. The estimated cost per month per user is \$21,000 or \$252,000 annually.

Per the National Environmental Public Health Tracking Network there are 454 patients in MO with brain cancer and 56 with mesothelioma. The American Association of Neurological Surgeons estimates that 17% of all brain cancer is glioblastoma. Therefore in Missouri 77 patients with glioblastoma and 56 patients with mesothelioma could be eligible to use the qualified device. However, given that only 6.3% of all patients use the qualified device we will assume that only 5 glioblastoma and 4 mesothelioma patients would use it.

Therefore at a cost of \$252,000 per patient per year we can assume that \$2,268,000 ($\$252,000 * 9$) in costs would be exempt from sales tax per this proposal. The sales tax rate is 4.225%. This would result in a loss to TSR of \$95,823.

This proposal would become effective September 1, 2020, and therefore result in only 10 months of impact in FY 2022.

	FY 2022 (10 months)	FY 2023
General Revenue	(\$56,700)	(\$68,040)
School District	(\$18,900)	(\$22,680)
Conservation Commission	(\$2,363)	(\$2,835)
Park, Soil & Water	(\$1,890)	(\$2,268)
Locals	(\$75,222)	(\$90,266)

DOR assumes this proposal would require 1 Associate Customer Service Representative per 3,500 refund requests received. However, given the few number of potential qualifiers of this device, the Department assumes it can absorb the administrative impact of this proposal.

Oversight notes officials from the B&P and DOR both assume the proposal will have direct fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect DOR’s and B&P’s estimated impact in the fiscal note.

Officials from the **Missouri Department of Conservation (MDC)** assume the proposal would have an Unknown direct fiscal impact on their respective organization but greater than \$250,000.

Oversight notes that the Conservation and Park, Soil, and Water 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 thus MDC=s sales taxes are constitutional mandates. Therefore, Oversight will reflect the B&P’s and DOR’s estimates of impact on the fiscal note.

Officials from the **Department of Economic Development** and **Missouri Department of Transportation** both assume this proposal would not have a direct fiscal impact on their respective organization.

Officials from the **City of Kansas City** assume this proposal provides a general tax exemption for the sale of certain medical devices which use electric fields for the treatment of cancer. This would result in a negative fiscal impact of an indeterminate amount.

Oversight notes the City of Kansas City assumes this proposal would have an indeterminate amount of impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect the B&P and DOR fiscal impact for local political subdivisions in the fiscal note.

Officials from the **City of Corder, City of Claycomo, City of Springfield, and City of Saint Louis – Budget Division** each assume this proposal would not have a direct fiscal impact on their respective organizations.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities and counties were requested to respond to this proposed

legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
<u>Revenue loss - 144.813 Medical Device exemption</u>	<u>(\$56,700)</u>	<u>(\$68,040)</u>	<u>(\$68,040)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUES	<u>(\$56,700)</u>	<u>(\$68,040)</u>	<u>(\$68,040)</u>
PARK, SOIL, WATER FUNDS (0614)			
<u>Revenue loss - 144.813 Medical Device exemption</u>	<u>(\$1,890)</u>	<u>(\$2,268)</u>	<u>(\$2,268)</u>
ESTIMATED NET EFFECT ON PARK , SOIL AND WATER FUNDS	<u>(\$1,890)</u>	<u>(\$2,268)</u>	<u>(\$2,268)</u>
CONSERVATION COMMISSION FUNDS (0609)			
<u>Revenue loss - 144.813 Medical Device exemption</u>	<u>(\$2,363)</u>	<u>(\$2,835)</u>	<u>(\$2,835)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUNDS	<u>(\$2,363)</u>	<u>(\$2,835)</u>	<u>(\$2,835)</u>

<u>FISCAL IMPACT – State Government (continued)</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
SCHOOL DISTRICT TRUST FUND (0688)			
<u>Revenue loss - 144.813 Medical Device exemption</u>	<u>(\$18,900)</u>	<u>(\$22,680)</u>	<u>(\$22,680)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(\$18,900)</u>	<u>(\$22,680)</u>	<u>(\$22,680)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISION			
<u>Revenue loss - 144.813 Medical Device exemption</u>	<u>(\$75,222)</u>	<u>(\$90,266)</u>	<u>(\$90,266)</u>
NET ESTIMATED EFFECT ON LOCAL POLITICAL SUBDIVISION	<u>(\$75,222)</u>	<u>(\$90,266)</u>	<u>(\$90,266)</u>

FISCAL IMPACT – Small Business

Businesses that purchase qualified medical devices could positively impacted by this proposal.

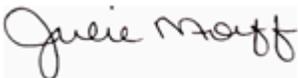
FISCAL DESCRIPTION

This act provides a sales tax exemption for sales of class III medical devices that use electric fields for the purposes of treatment of cancer, including components and repair parts and disposable or single patient use supplies required for the use of such supplies.

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

Department of Revenue
Office of Administration – Budget & Planning
Department of Economic Development
Missouri Department of Conservation
Missouri Department of Transportation
City of Kansas City
City of Corder
City of Claycomo
City of Springfield
City of Saint Louis – Budget Division



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March 10, 2021



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