

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2624S.01I
Bill No.: SB 529
Subject: Taxation and Revenue - Sales and Use; Entertainment, Sports and Amusements
Type: Original
Date: March 10, 2021

Bill Summary: This proposal authorizes the retention of sales tax for the sales of admission tickets to certain events.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|--------------------|--------------------|--------------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| General Revenue | (\$200,521) | (\$240,625) | (\$240,625) |
| Total Estimated Net Effect on General Revenue | (\$200,521) | (\$240,625) | (\$240,625) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|-------------------|-------------------|-------------------|
| FUND AFFECTED | FY 2022 | FY 2023 | FY 2024 |
| School District Trust Fund (0688) | (\$66,840) | (\$80,208) | (\$80,208) |
| Park, Soil, and Water Trust Fund (0613 and 0614) | (\$6,684) | (\$8,021) | (\$8,021) |
| Conservation Trust Fund (0609) | (\$8,355) | (\$10,026) | (\$10,026) |
| Total Estimated Net Effect on <u>Other</u> State Funds | (\$81,879) | (\$98,225) | (\$98,225) |

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 | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume:

Section 144.140 Admission Ticket Sales Tax

Beginning on January 1, 2022, this proposal would allow certain taxpayers currently required to remit state sales tax to retain those state sales tax amounts. Specifically, this proposal addresses “all sales of tickets for admission and seating accommodations for the viewing of movies, films, and live concerts, and on all sales of concessions sold onsite at such seller’s place of business.” This section would expire on December 31, 2024.

Allowing taxpayers to retain these amounts would effectively repeal a portion of Section 144.020.1(2) and create an additional sales tax exemption for certain concessions – eliminating a source of income for the state.

The Current Sales and Use tax rate is 4.225%
General Revenue is 3%
School District Trust Fund is 1%
Conservation Commission Fund is .125%
Parks, Soil & Water Funds .1%

In order to calculate the impact of this proposal, the Department looked at the NAICS codes that are associated with these types of businesses. These include movie theaters (512131), drive-in theaters (512132) and performing arts facilities (711310). In tax year 2019, these NAICS codes had taxable sales in Missouri of \$8,020,828.45. Therefore, this would result in a loss to the state of the following amounts.

| | FY 2022 | FY 2023 | FY 2024 |
|-----------------|-------------|-------------|-------------|
| General Revenue | (\$240,625) | (\$240,625) | (\$240,625) |
| School | (\$80,208) | (\$80,208) | (\$80,208) |
| Conservation | (\$10,026) | (\$10,026) | (\$10,026) |
| Park Soil | (\$8,021) | (\$8,021) | (\$8,021) |

It should be noted that this tax is still required to be paid by the consumer and collected by the seller. However, the seller gets to retain it and the consumers do not benefit.

Administrative Impact

It is assumed any potential impact would be absorbed by the Department.

Officials from the DOR assume the proposal will have direct fiscal impact on state funds. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect DOR's estimated impact in the fiscal note.

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

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.

Oversight notes MDC's Conservation Commission Fund (0609) receives one-eighth of one percent of the revenues generated from sales and use tax. Oversight will reflect the impact to the Conservation Commission Fund as estimated by DOR.

Officials from the **Department of Natural Resources (DNR)** assume that allowing retention of sales tax by the seller of certain state sales taxes due on transactions relating to entertainment as defined in this proposal, could decrease the amount of funding available in the Parks and Soils Sales Tax Funds for long term operation of Missouri's state parks and historic sites and assistance to agricultural landowners through volunteer programs.

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, the sales tax exemption could result in an unknown loss to the Parks and Soils Sales Tax Funds.

Fiscal impact is unknown. The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Oversight notes that officials from DNR defer to the DOR for the fiscal impact of this proposal. Therefore, **Oversight** will reflect the impact to the Park, Soil, and Water Fund as estimated by DOR.

Officials from the **Missouri Department of Transportation, City of Corder, and City of Springfield** each assume the proposal would not have a direct fiscal impact on their organization.

HYPERLINK

"<https://revisor.mo.gov/main/OneChapterRng.aspx?tb1=144.010%20to%20144.430>" 144.010 to 144.430 HYPERLINK

"<https://revisor.mo.gov/main/OneChapterRng.aspx?tb1=144.600%20to%20144.745>" 144.600 to

144.745**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other state agency, 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 –</u> <u>State Government</u> | FY 2022 (10 Mo.) | FY 2023 | FY 2024 |
|--|---------------------------|---------------------------|---------------------------|
| GENERAL REVENUE FUND | | | |
| <u>Forgone Revenue –</u> 144.140 2. – sales tax revenue collection from entertainment venues | <u>(\$200,521)</u> | <u>(\$240,625)</u> | <u>(\$240,625)</u> |
| NET ESTIMATED EFFECT ON GENERAL REVENUE FUND | <u>(\$200,521)</u> | <u>(\$240,625)</u> | <u>(\$240,625)</u> |
| SCHOOL DISTRICT TRUST FUND (0688) | | | |
| <u>Forgone Revenue –</u> 144.140 2. – sales tax revenue collection from entertainment venues | <u>(\$66,840)</u> | <u>(\$80,208)</u> | <u>(\$80,208)</u> |
| NET ESTIMATED EFFECT ON SCHOOL DISTRICT TRUST FUND | <u>(\$66,840)</u> | <u>(\$80,208)</u> | <u>(\$80,208)</u> |
| | | | |
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| <u>FISCAL IMPACT – State Government (continued)</u> | FY 2022 (10 Mo.) | FY 2023 | FY 2024 |
| PARK, SOIL, WATER TRUST FUNDS (0613, 0614) | | | |
| <u>Forgone Revenue – 144.140 2. – sales tax revenue collection from entertainment venues</u> | <u>(\$6,684)</u> | <u>(\$8,021)</u> | <u>(\$8,021)</u> |
| NET ESTIMATED EFFECT ON PARK, SOIL, WATER TRUST FUND | <u>(\$6,684)</u> | <u>(\$8,021)</u> | <u>(\$8,021)</u> |
| | | | |
| CONSERVATION COMMISSION TRUST FUND (0609) | | | |
| <u>Forgone Revenue – 144.140 2. – sales tax revenue collection from entertainment venues</u> | <u>(\$8,355)</u> | <u>(\$10,026)</u> | <u>(\$10,026)</u> |
| NET ESTIMATED EFFECT ON CONSERVATION COMMISSION TRUST FUND | <u>(\$8,355)</u> | <u>(\$10,026)</u> | <u>(\$10,026)</u> |

| | | | |
|--|--|--|--|
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| <u>FISCAL IMPACT – Local Government</u> | FY 2022 (10 Mo.) | FY 2023 | FY 2024 |
|---|---------------------|------------|------------|
| | | | |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT – Small Business

Small businesses will get to retain the state sales tax.

FISCAL DESCRIPTION

For the 2022 and 2023 calendar years, this act authorizes sellers to deduct and retain one hundred percent of the state portion of sales tax levied on purchases of admission tickets to movies, films, and live concerts, as well as on sales of concessions sold onsite at such seller's place of business.

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
 Department of Natural Resources
 Missouri Department of Conservation
 Missouri Department of Transportation
 City of Corder
 City of Springfield



Julie Morff
 Director
 March 10, 2021



Ross Strobe
 Assistant Director
 March 10, 2021