

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4932S.02I
Bill No.: SB 1152
Subject: Taxation and Revenue - Sales and Use; Agriculture
Type: Original
Date: March 28, 2022

Bill Summary: This proposal modifies a sales tax exemption for certain farm machinery and equipment.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue*	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue	(Unknown)	(Unknown)	(Unknown)

* Represents the potential fiscal impact of additional farm equipment that was not previously eligible for exemption that would now be sales-tax-exempt. Based on the responses from the Department of Revenue and Budget and Planning, Oversight will assume the fiscal impact from this proposal will not reach the \$250,000 threshold.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
School District Trust Fund	(Unknown)	(Unknown)	(Unknown)
Parks and Soils State Sales Tax Funds	(Unknown)	(Unknown)	(Unknown)
Conservation Commission Fund	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
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 2023	FY 2024	FY 2025
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Section 144.030 (22) Farm MV Sales Tax Exemption

Officials from the **Department of Revenue (DOR)** note this provision modifies the sales tax exemption on farm equipment. Currently farm equipment purchased for use on a farm is exempt from sales tax. A purchaser provides his sales tax exemption certificate to the seller and no sales tax is charged on the purchase if the purchaser says he will use the equipment on his farm. The Department notes this exemption certificate process is not changed by this provision.

This provision adds the definition of utility vehicle to the list of farm equipment that is exempt to clarify what counts as “farm equipment”. Questions have arisen as to what counts as farm equipment and this proposal adds language clarifying that utility vehicles are farm equipment. The Department assumes no fiscal impact from the clarifying language.

This provision would no longer require the machinery in question to be used “exclusively” for agricultural purposes. Now, the qualifying machinery would only need to be used for “any” agricultural purpose. These changes could expand the current exemption to include more “dual purpose” items, such as a vehicle, which is used on a farm, but also driven on public roads. The Department believes that this is already happening with equipment that qualifies for the sales tax exemption. Should there be some equipment that was not eligible for the exemption that will now be, this could have a minimal negative impact on the state.

Officials from the **Office of Administration - Budget and Planning (B&P)** note Section 144.030.2(22)(a) would add utility vehicles (UTVs) to the farm equipment sales tax exemption. In addition, this section would expand the farm equipment exemption to all vehicles used for any farm activities. B&P notes that the current exemption is for farm equipment used exclusively for farm activities.

Based on information provided by DOR, they believe the sales tax exemption is already being used for UTV purchases and for other motor vehicles that are not actually being used exclusively for farm activities. Therefore, B&P notes this provision may have an unknown, likely minimal, negative impact on MV sales tax funds.

B&P notes this provision will not impact TSR as vehicles sales taxes are explicitly excluded from the TSR calculation. This proposal may impact the calculation under Article X, Section 18(e).

Oversight notes the proposed changes to the current sales tax exemptions could result in additional equipment that was not previously eligible for exemption that would now be exempt under this proposal. DOR and B&P both indicated this could impact state revenues; therefore, Oversight will show a negative impact of an unknown amount. However, based on DOR and

B&P's response of "minimal negative impact to the state", Oversight will assume the impact would not exceed the \$250,000 threshold.

Officials from the **City of Springfield** anticipates a negative fiscal impact but does not have data regarding the amount of tax presently collected for the items that would become exempt so cannot determine the amount of impact.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules from this proposed legislation with existing resources.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposed legislation. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process.

Officials from the **Department of Natural Resources** defer to the **Department of Revenue** for the potential fiscal impact of this proposal.

Officials from the **City of O'Fallon** assume the proposal will have no fiscal impact on their city. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Officials from the **Missouri Department of Conservation** note this proposal would have an unknown 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. Any change in sales and use tax collected would affect revenue to the Conservation Sales Tax funds. However, the initiative is very complex and may require

adjustments to Missouri sales tax law which could cause some downside risk to the Conservation Sales Tax. 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 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, thus MDC's sales taxes are constitutional mandates. Therefore, Oversight will reflect the B&P's and DOR's fiscal impact estimates for MDC's funds.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other local taxing entities were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
GENERAL REVENUE			
<u>Revenue Loss</u> - §144.030 Modification of Farm Equipment Sales Tax Exemption p. (3-4)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue Loss</u> - §144.030 Modification of Farm Equipment Sales Tax Exemption p. (3-4)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PARKS AND SOILS STATE SALES TAX FUNDS			
<u>Revenue Loss</u> - §144.030 Modification of Farm Equipment Sales Tax Exemption p. (3-4)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
CONSERVATION COMMISSION FUND			

<u>Revenue Loss - §144.030 Modification of Farm Equipment Sales Tax Exemption p. (3-4)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
<u>Revenue Loss - §144.030 Modification of Farm Equipment Sales Tax</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT – Small Business

Small businesses that purchase or sell farm equipment may be impacted.

FISCAL DESCRIPTION

The act modifies a sales tax exemption for certain farm machinery and equipment by providing that the term "farm machinery and equipment" shall include utility vehicles, as defined in the act, that are used for any agricultural purposes.

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

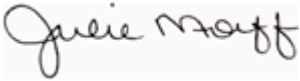
Office of the Secretary of State
Joint Committee on Administrative Rules
Department of Natural Resources
Department of Revenue
Missouri Department of Conservation
Office of Administration - Budget and Planning
City of Springfield
City of O'Fallon

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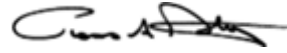
March 28, 2022

A handwritten signature in cursive script, appearing to read "Julie Morff", written in black ink on a light-colored background.

Julie Morff

Director

March 28, 2022

A handwritten signature in cursive script, appearing to read "Ross Strobe", written in black ink on a light-colored background.

Ross Strobe

Assistant Director

March 28, 2022