COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0214S.02P
Bill No.: Perfected SS for SB 143
Subject: Tax Credits; Economic Development; Agriculture
Type: Original
Date: March 23, 2023

Bill Summary: This proposal modifies provisions relating to improving access to food.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund	($43,279,106) Up to ($64,309,846)	($46,271,482) Up to ($68,420,097)	($46,265,706) Up to ($68,502,595)
Total Estimated Net Effect on General Revenue	**($43,279,106) Up to ($64,309,846)**	**($46,271,482) Up to ($68,420,097)**	**($46,265,706) Up to ($68,502,595)**

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ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Park, Soil & Water Fund (0614)	Could exceed ($1,177,277)	Could exceed ($1,414,978)	Could exceed ($1,414,978)
Conservation Commission Fund (0609)	Could exceed ($1,471,597)	Could exceed ($1,765,917)	Could exceed ($1,765,917)
School District Trust Fund (0688)	Could exceed ($11,722,773)	Could exceed ($14,172,327)	Could exceed ($14,127,327)
Total Estimated Net Effect on Other State Funds	**Could exceed ($14,371,647)**	**Could exceed ($17,357,222)**	**Could exceed ($17,353,222)**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue Fund	2 FTE	Up to 3 FTE	Up to 3 FTE
Total Estimated Net Effect on FTE	**2 FTE**	**Up to 3 FTE**	**Up to 3 FTE**

☒ 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 2024	FY 2025	FY 2026
Local Government	**($21,612,784) Up to ($47,915,185)**	**($25,935,340) Up to ($57,498,222)**	**($25,935,340) Up to ($57,498,222)**

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Section 135.1610 - Tax Credit for Urban Farms (with added Small-Scale Specialty Crop Farm)

In response to the similar proposal **Office of Administration – Budget & Planning Division (B&P)** stated this proposed legislation, for all tax years beginning on or after January 1, 2023, creates a tax credit for taxpayers who establish an urban farm within a classified food desert within the state. If an urban farm is established within a qualifying area, the qualifying taxpayer would be able to claim a tax credit against their state tax liability up to 50% of the eligible expenses for establishing the urban farm. No urban farm can claim a tax credit in excess of $25,000. The tax credits may be carried forward to the next three (3) succeeding tax years.

This proposed legislation could reduce General Revenue (GR) and Total State Revenue (TSR) up to ($200,000) annually and could impact the calculation under Article X, Section 18(e).

Officials from the **Department of Revenue (DOR)** assume this proposal would expand the urban farm tax credit program to include small-scale specialty crop farms in the list of eligible farms. This proposal also changes the existing cap on the program from $200,000 to $3,000,000. The increase in the cap will be an additional loss of $2,800,000 of general revenue.

HB 3 adopted in 2022 created this tax credit program, so the Department does not have any information on the usage of the program.

Oversight notes the General Assembly passed HB 3 (in Special Extraordinary Session 2022) and approved maximum cap of $200,000.

Oversight notes this proposal replaces the $200,000 in Section 135.1610 4 . and replaces it with $3 million maximum cap beginning

Oversight notes this proposal adds specialty small-scale specialty crop farms in a food desert, as defined by United States Census Bureau, who predominately grow fruits and vegetables, tree nuts, dried fruits, and horticulture and nursery crops including but not limited to floriculture.

Oversight notes the fifty percent (50%) tax credit shall not exceed a taxpayer's state tax liability. Any amount of tax credit that exceeds the taxpayer's state tax liability may be carried forward to the next three (3) succeeding tax years.

Oversight notes the proposal notes the total amount of tax credits that may be authorized for all taxpayers for eligible expenses incurred on any given urban arm or small-scale specialty crop farm shall not exceed twenty-five thousand dollars.

Oversight notes "Eligible Expenses" are defined as "expenses incurred in the construction or development of establishing an urban farm", defined as "an agricultural plot or facility in an urban area that produces agricultural products solely for distribution to the public by sale or donation…; however, "shall not include personal farms or residential lots for personal use."

Oversight notes the proposal indicates that the Urban Farms shall include community-run gardens and shall not exceed five acres in size. Therefore, if each applicant applied for the maximum allotted benefit within fiscal period there could be at minimum 112 ($2,800,000/$25,000) qualifying annually.

Oversight notes that according to the U.S. Census of Agriculture - Missouri (2019), data regarding Special Crops, there were 3,654 existing farms involved in cultivation of such a harvest in Missouri. The breakdown is shown below:

- Vegetables – 1449
- Orchards – 1359
- Berries – 846

Total – 3,654

Therefore, **Oversight** assumes DOR can absorb the responsibilities associated with the new tax credit with existing resources. Should the number of redemptions or the number of errors generated prove to be significant, DOR may seek additional FTE through the appropriation process.

In response to the similar proposal, HB 3 – 2022, officials from the **Missouri Department of Agriculture – Missouri Agricultural & Small Business Development Authority (MASBDA)** stated the MASBDA does not currently receive funds from General Revenue or Federal sources to administer any programs. All revenues are from fees that pay for MASBDA's administrative costs.

MASBDA assumes that a non-refundable application fee of $100 will be charged to each applicant.

MASBDA states Section 348.080 gives MASBDA the authority to collect fees and charges, as the authority determines to be reasonable, in connection with its loans, advances, insurance, commitments, and servicing.

This is the same application fee for four (4) other MASBDA tax credit programs (New Generation Processing Entity initial application, New Generation Producer/Investor Tax Credit application, Agricultural Product Utilization Contributor contribution application, Qualified Beef Tax Credit application).

MASBDA notes the only program that does not charge the $100 fee is the Family Farm Breeding Livestock Tax Credit program. The program has a review fee of 1% of the family farm loan amount and that fee is under Section 348.500.

MASBDA indicates that each tax credit program has a bank account set up for all administrative/program activities.

Oversight notes that MASBDA assumed, in response to the HB 3- 2022, that the current (5) employees of MASBDA will be sufficient to run this program and no additional equipment will need to be purchased. MASBDA's cost allocation is based on percentage of time spent on each program per fiscal year by employee. Their assumption is that the Urban Farms Tax Credit program will add approximately 8% more program activity for Fiscal Year 2022. Fiscal Year 2023 estimated salary total is $16,466 per Fiscal Note worksheet. Other administrative costs such as office supplies, postage, printing, etc…. are estimated approximately at $1,500 for this new program.

Oversight notes this proposal allows for recapture of tax credits issued in circumstances where the use of the tax credit is deemed for the personal benefit of the taxpayer thus in violation of the act. Therefore, **Oversight** will reflect <u>an unknown saving to the General Revenue</u> in the fiscal note <u>beginning FY 2024.</u>

<u>Section 135.1620 Grocery Store Tax Credit</u>

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal creates tax credits for taxpayers who establish a new location within a classified food desert within the state. Based on data published in 2019 by the United States Department of Agriculture, there are 453 census tracts within Missouri that are classified as low-income and have a population that is located at least one-half mile from a full-service grocery store in urban areas or ten miles in rural areas. If these businesses were to locate in one of these tracts, the qualifying taxpayer would be able to claim tax credits against their state tax liability up to 50% of their eligible costs after the initial expenses have exceeded $1,000,000 for stores established in charter counties, counties of first classification, or a city not within a county; or $500,000 for stores located in any other county. No more than $25M in tax credits that can be authorized in any given calendar year. This proposal also allows any tax credits that have been issued to be transferred, sold, or assigned.

"New location" is for real property acquired after 1/1/2024; therefore, general and total state revenues may be reduced as early as FY25.

This provision could lower general revenues by up to ($25,000,000) beginning in FY25. This provision could impact total state revenue and the calculation under Article X, Section 18(e). Due to the carryforward provision in any given year, the amount redeemed may exceed the estimate shown after the first full fiscal year.

Officials from the **Department of Revenue (DOR)** assume the proposal would create a new tax credit for tax years beginning on or after January 1, 2024, for the construction or development of real property for the purpose of establishing a full-service grocery store in a food desert. The tax credit would be in the amount of 50% of the eligible expenses that are in excess of initial eligible expenses. A taxpayer becomes eligible for the tax credit only after initially expending $1,000,000 (in a charter county, county of the first classification, or city not within a county) or expending $500,000 (in any other county). The tax credit would be 50% of the expenses over these minimum limits.

The tax credit has a $25 million cap. With each person not eligible to claim more than $2.5 million per year. The tax credit can be carried forward for three tax years and is transferable, but is not refundable.

The full amount of the tax credits issued, plus a reasonable rate of return on the value of the credits, is subject to "‘clawback" if the taxpayer fails to complete construction of the full-service grocery store within five years of project commencement or fails to operate that store at the same location for ten consecutive years. DED is given regulatory authority regarding this credit, and the credit is subject to a sunset clause.

This proposed legislation could potentially decrease Total State Revenue, specific to General Revenue by an estimated $25 million per year. DOR notes this tax credit begins January 1, 2024, and therefore, the first tax returns will be filed starting in January 2025.

Fiscal Year	Decrease to Total State Revenue - General Revenue
FY 2024	$0
FY 2025	($25,000,000)
FY 2026	($25,000,000)

This would be a new income tax credit that would need to be added to the MO-TC form, our website and to our individual income tax computer system. These changes are estimated to cost $7,193.

Due to the limited number of taxpayers each year that may qualify for this credit DOR assumes it can absorb the additional work from the redemptions of this credit using existing FTE.

However, should the number of redemptions received equal the following limits, DOR would ask for additional FTE during the appropriation process. DOR needs FTE to process tax credits if the following number of items are received.

- 1 FTE Associate Customer Service Representative for every 6,000 credits redeemed
- 1 FTE Associate Customer Service Representative for every 4,000 tax credit transfers with CISCO phones and license.
- 1 FTE Associate Customer Service Representative for every 7,600 errors/correspondence generated

Oversight notes DOR is responsible for the redemption of tax credits against a taxpayer's state tax liability as well as reallocating tax credits as a result of any sale, transfer, or assignment of tax credits. Furthermore, DOR is responsible for generating correspondence should tax returns fail to provide the necessary documentation to warrant tax credit redemption(s) and appropriately process the correspondence they receive in response.

Oversight notes the tax credit program proposed has an annual cap of $25 million. Furthermore, taxpayers who qualify for the tax credit created may claim a tax credit up to $2.5 million per tax year. Therefore, Oversight assumes the minimum number of taxpayers that could qualify and claim this tax credit each year (and utilize the entire cap) could be as few as ten (10). Thus, Oversight assumes DOR can absorb the responsibilities associated with the new tax credit program with existing resources. Should DOR experience the number of redemptions, transfers, and/or correspondence that warrant additional FTE, DOR may seek additional FTE through the appropriation process.

In response to the previous version of the proposal, officials from the **Department of Economic Development (DED)** assumed Section 135.1620 allows for a taxpayer to claim a tax credit equal to 50% of the taxpayer's eligible expenses for establishing a full-service grocery store in a food desert. The taxpayer cannot claim more than $2.5M/tax year but the credit may be carried over for three years until full credit has been claimed. Program is capped at $25M per year.

DED will need to hire 2.0 FTE to review applications, determine qualifications, and calculate eligible amounts, review final qualifying expenses, complete compliance and to administer the program.

Oversight notes this proposed legislation creates a tax credit for individuals, partnerships, corporations or various charitable organizations who establish a full-service grocery store within a food desert.

This proposed legislation defines "food desert" as a census tract that has a poverty rate of at least twenty percent (20%) or a median family income of less than eighty percent (80%) of the statewide average and where at least five hundred (500) people or thirty-three percent (33%) of the population are located at least one-half mile away from a full-service grocery store in urbanized areas or at least ten miles away in rural areas.

Based on data published by the United States Department of Agriculture (USDA) in 2019, there were approximately 390 census tracts in Missouri in 2010 that were classified as low-income and low-access (one-half mile from a full-service grocery store in urban areas or ten miles from a full-service grocery store in rural areas). Oversight will show the number of low-income/low-access tracts per county below (counties with no low-income/low-access are not included in the chart):

County	LILATracts_halfAnd10
Adair County Total	3
Andrew County Total	0
Atchison County Total	0
Audrain County Total	3
Barry County Total	0
Barton County Total	1
Bates County Total	1
Benton County Total	2
Bollinger County Total	0
Boone County Total	8
Buchanan County Total	9
Butler County Total	7
Caldwell County Total	1
Callaway County Total	0
Camden County Total	1
Cape Girardeau County Total	4
Carroll County Total	1

Carter County Total	1
Cass County Total	5
Cedar County Total	2
Chariton County Total	0
Christian County Total	1
Clark County Total	0
Clay County Total	12
Clinton County Total	1
Cole County Total	4
Cooper County Total	0
Crawford County Total	1
Dade County Total	1
Dallas County Total	2
Daviess County Total	0
DeKalb County Total	0
Dent County Total	3
Douglas County Total	3
Dunklin County Total	4
Franklin County Total	2
Gasconade County Total	0
Gentry County Total	0
Greene County	27

Total	
Grundy County Total	1
Harrison County Total	2
Henry County Total	4
Hickory County Total	0
Holt County Total	0
Howard County Total	1
Howell County Total	2
Iron County Total	2
Jackson County Total	83
Jasper County Total	6
Jefferson County Total	5
Johnson County Total	2
Knox County Total	1
Laclede County Total	2
Lafayette County Total	0
Lawrence County Total	1
Lewis County Total	0
Lincoln County Total	0
Linn County Total	1
Livingston County Total	3
McDonald County Total	0

Macon County Total	2
Madison County Total	2
Maries County Total	0
Marion County Total	4
Mercer County Total	0
Miller County Total	1
Mississippi County Total	2
Moniteau County Total	1
Monroe County Total	1
Montgomery County Total	1
Morgan County Total	0
New Madrid County Total	2
Newton County Total	2
Nodaway County Total	2
Oregon County Total	2
Osage County Total	0
Ozark County Total	2
Pemiscot County Total	3
Perry County Total	1
Pettis County Total	5
Phelps County Total	1
Pike County	2

Total	
Platte County Total	1
Pulaski County Total	1
Putnam County Total	0
Ralls County Total	0
Randolph County Total	1
Ray County Total	0
Reynolds County Total	0
Ripley County Total	1
St. Charles County Total	4
St. Clair County Total	0
Ste. Genevieve County Total	1
St. Francois County Total	0
St. Louis County Total	39
Saline County Total	3
Schuyler County Total	2
Scotland County Total	0
Scott County Total	5
Shannon County Total	1
Shelby County Total	0
Stoddard County Total	1
Stone County Total	0

Sullivan County Total	2
Taney County Total	2
Texas County Total	0
Vernon County Total	3
Warren County Total	0
Washington County Total	2
Wayne County Total	2
Webster County Total	1
Worth County Total	0
Wright County Total	2
St. Louis City Total	54
Grand Total	**390**

Oversight notes the DED assumes the need for 2 FTE to properly initiate and develop processes to comply with the rules in this proposal.

Oversight notes that the proposal allows minimum of 10 businesses to receive this tax credit (25 million cap where each business obtain the max of 2.5 million per each, as specified in Section 135.1620 3. (2)); however, the number could be substantially greater (up to 390 in the areas of need as shown above) for such grocery stores in Missouri.

Oversight will reflect a range from 0 FTE (no full-service grocery store is established within a food desert) to 1 additional FTE for DED (Senior Economic Development Specialist at 74,664 annually) in the fiscal note.

Oversight notes, in order to qualify for the tax credit created, initial expenses must be incurred equal to $1 million if the full-service grocery store is established in a charter county, a county of the first classification, or a city not within a county or $500,000 if the full-service grocery store is established in any other county.

The tax credit authorized under this proposed legislation may not exceed the taxpayer's state tax liability and is, therefore, not refundable. However, any amount of tax credit that exceeds the taxpayer's state tax liability in the year in which the "contribution" was made may be carried forward to the next three (3) succeeding tax years.

Oversight assumes a "contribution" to be the expenses incurred in establishing a full-service grocery store. The tax credits created under this proposed legislation may be transferred, sold, or assigned. The tax credit program created would sunset on December 31, 2030.

Oversight notes this proposed legislation creates a clawback provisions for taxpayers that are issued credits authorized under this section but fail to complete construction of a full-service grocery store within five years of the commencement of the project or fails to operate a full-service grocery store at the same new location for at least ten consecutive years. Oversight is unable to determine whether or not this clawback provision will have an impact on state revenues and will not show an impact for this portion of this proposed legislation.

Oversight notes the proposed legislation states a new location is a full-service grocery store located on a tract of real property within a food desert that is acquired or leased on or after January 1, 2024. Thus, the first tax year in which taxpayers could claim the tax credit created is Tax Year 2024; Tax Year 2024 tax returns will not be filed until after January 1, 2025 (Fiscal Year 2025).

Therefore, Oversight will report a <u>reduction</u> to GR equal to "$0 up to $25,000,000" beginning in Fiscal Year 2025. A reduction to GR equal to $0 would occur if no full-service grocery store is established within a food desert in the particular tax year and a reduction to GR equal to $25,000,000 would occur if the annual cap is met.

Officials from **Missouri Department of Agriculture (MDA)** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for MDA.

<u>Section 261.021 Socially Disadvantaged Communities Outreach Program</u>

Officials from the **Department of Revenue (DOR)** assume this provision will not fiscally impact the Department.

In response to the similar proposal, SB 636 – 2023, officials from the **Office of Administration – Budget & Planning (B&P)** assumed the provision will not fiscally impact the Department.

Oversight notes the officials from the DOR and B&P both assume the proposal will have no fiscal impact on their organization. **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 Agriculture (MDA)** assume the proposal will have a fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect MDA's estimated impact of 2 FTE in the fiscal note.

Oversight notes, after conversations with the MDA, the proposal creates a new requirement where MDA must provide all of the supervisory, educational, administrative, and other functions in order to comply with this proposal. MDA has stated the following will be required:

2 FTE

- 1 Senior Ag Marketing Specialist
- 1 Ag Marketing Specialist
    - Equipment: phone, computer, monitors, etc.
    - Program materials for training and workshops (equipment, paper, printing)
    - 1 vehicle

Job duties of these FTE's would include, but are not limited to (as stated in the language of 261.021):

- "Shall" provide financial assistance
- "Shall" encourage activities that support and promote urban ag and specialty crop farming
- "Shall" provide educational and skills training related to food production
- "Shall" address food deserts in urban AND rural socially disadvantaged communities
- "Shall" administer and monitor the program and serve as liaison to affected communities
- "Shall" provide leadership at the state level to encourage participation in the program
- "Shall" conduct workshops and other sessions that provide educational and skills training
- "Shall" seek grants, private donations, or other funding sources to support the program
- "Shall" submit annual reports to general assembly detailing the number of residents who received training

This program would take designated staff to:

- Administer the program
- Track progress-develop tracking system
- Develop reports
- Monitor budget
- Develop and create educational and skills training curriculums
- Conduct educational and skills training all over the State of Missouri

- Conduct workshops and other all over the State of Missouri
- Seek grants-research, apply, report back on grants received and progress
- Seek private donations and other funding
- This would require extensive travel

Senate Amendment 1- Sales Tax Exemptions (Diapers, Faminine Products, Medical Devices)

Officials from the **Department of Revenue (DOR)** note Sales Tax Exemptions
Section 144.030 outlines all the products that are exempt from sales tax. In Section 144.030.2(18) the sales of all durable medical equipment as defined on January 1, 1980, by the Medicare program is exempt. This current wording allows the state to have rolling compliance with the Medicare program however, it is limited to only as the Medicare program existed in 1980. Due to medical advances, new products have been brought on the market that are considered durable medical goods at the federal level but not at the state level. As of December 2022, the Department is aware of two such devices; one device used to treat glioblastoma and mesothelioma and a second device is an embolization device used to prevent brain aneurysms.

This proposal would remove the limitation that the device have been covered as of January 1, 1980. This proposal may expand the sales tax exemption to new devices in the future and result in forgone revenue in the future. The Department is not able to estimate the impact from future devices being sales tax exempt. The Department will estimate the impact from the two devices DOR is aware of.

Brain Cancer Devices
DOR notes this proposal would allow the sales of all class III medical devices that use electric fields for the purposes of the treatment of cancer to be exempt from all state and local sales and use taxes. This exemption would begin August 28, 2023. 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. These devices are used for treating glioblastoma and mesothelioma.

The Department is aware that one company makes two devices, one for glioblastoma and one that treats mesothelioma. These devices cost approximately $21,000 a month each or $252,000 annually. The manufacturer estimates that approximately 7.2% of all patients with these conditions use their product. According to the CDC approximately 466 individuals have brain and other nervous system cancers and 55 individuals have mesothelioma in Missouri.

Since glioblastoma accounts for about 17% of all brain cancers, DOR will assume that 79 Missourians have glioblastoma and 55 have mesothelioma.

Applying the 7.2% percentage to the number of Missouri residents with these conditions DOR estimates that 6 Missourians are using it for glioblastoma and 4 are using it for mesothelioma and will qualify for the sales tax exemption annually.

DOR notes at a cost of $252,000 per year per person, DOR notes that this would result in taxable sales of $2,520,000. This proposal removes both the state sales tax (4.225%) and the local sales tax (4.07% weighted average local tax rate). This would result in a loss to the state of $106,470 in total state revenue.

		10/12 Year	Full Year
General Revenue	3%	($63,000)	($75,600)
School District Trust	1%	($21,000)	($25,200)
Conservation Commission	0.125%	($2,625)	($3,150)
Park, Soil & Water	0.10%	($2,100)	($2,520)
Total State Revenue		($88,725)	($106,470)
Local	4.07%	($85,470)	($102,564)

<u>Embolization Devices</u>
The Department is aware there is a device that is used to treat brain aneurysms. It is an embolization device that costs about $1,000.

DOR notes approximately 300,000 people in the U.S., and 570 in Missouri have a ruptured brain aneurysm each year. Therefore up to $570,000 ($570 patients * $1,000 device) could be exempt from state and local taxes annually.
The Department estimates that this provision may reduce total state revenue by $24,083 per year.

		10/12 Year	Full Year
General Revenue	3.00%	($14,250)	($17,100)
School District Trust	1.00%	($4,750)	($5,700)
Conservation Commission	0.125%	($594)	($713)
Park, Soil & Water	0.10%	($475)	($570)
Total State Revenue		($20,069)	($24,083)
Local	4.07%	($19,333)	($23,199)

<u>Wheelchair accessories</u>
DOR notes this proposal would add wheelchair accessories to the list of devices that will be considered tax exempt. Wheelchairs and some accessories are already tax exempt while other accessories are not. The Department notes that when most accessories are purchased with the wheelchair, such as a seatbelt or restraints those accessories are tax exempt. However,

sometimes when a taxpayer buys those accessories later those accessories may be subject to sales tax. This proposal will make it clear that all the accessories are considered tax exempt regardless of when purchased. Due to the limited sales tax the impact of this provision is unknown but it is anticipated to be minimal.

DOR notes these provisions would require a change to the sales and use tax forms, to their website and to their tax computer system. The estimated costs of these changes is $14,386.

Oversight assumes the Department of Revenue is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the programming and form costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would create a rolling sales tax exemption conformity for all medical equipment covered by Medicare. Currently, the Missouri sales tax exemption is limited to those items that were covered as of January 1, 1980. This proposal would expand the sales tax exemption to all devices covered by Medicare now and in the future. Therefore, this provision could result in forgone revenue in the future. B&P is unable to determine when or how much revenue may be forgone by creating the rolling conformity.

As of December 2022, B&P is aware of two potential devices that would become tax exempt as a result of this provision. One device is used to treat glioblastoma and mesothelioma, while the other device is used for brain aneurysm embolization. B&P will include cost estimates for the lost sales tax revenue from these devices.

<u>Cancer Devices</u>
This proposal would exempt class III medical devices that use electric fields in the treatment of cancer from state and local sales and use taxes. This would also exempt the components, repair, and disposable patient supplies used with such devices. This exemption would begin August 28, 2023.

B&P notes that there are currently two such FDA devices approved. The first device is used to treat glioblastoma and the second device is used to treat mesothelioma. Based on data published by the manufacturer, B&P estimates that approximately 7.2% of glioblastoma patients use the qualifying device. B&P was unable to estimate the usage rate for mesothelioma. For the purpose of this fiscal note, B&P will assume that the usage rate is the same 7.2% found for glioblastoma patients.

Based on information published by the CDC, there were 466 individuals with brain and other nervous system cancers in Missouri during 2019, the most recent year available. Based on further research, B&P determined that glioblastoma cancer accounts for 17% of all brain and nervous system cancers. Therefore, B&P estimates that approximately 79 individuals in Missouri (466 brain and nervous system cancers x 17%) may have glioblastoma. Based on further information published by the CDC, there were 55 cases of mesothelioma in Missouri during 2019.

Assuming that Missouri cancer patients use the qualifying class III medical devices at the same rate as patients outside of Missouri, B&P estimates that approximately 6 individuals with glioblastoma (79 Missouri glioblastoma patients x 7.2% device usage) and 4 individuals with mesothelioma (55 Missouri mesothelioma patients x 7.2% device usage) per year may qualify for this sales tax exemption.

Based on additional research, B&P determined that the average cost of using the qualifying class III medical device is approximately $21,000 per month, or $252,000 per year ($21,000 per month x 12). Therefore, B&P estimates that this proposal may exempt $2,520,000 [(6 glioblastoma patients x $252,000 per year costs) + (4 mesothelioma patients x $252,000 per year costs)] in sales from state and local sales taxes.

Based on the above information, B&P estimates that this provision may reduce TSR by $106,470 and GR by $75,600 per year. Using the 2022 population weighted local sales tax rate of 4.07%, B&P further estimates this proposal may reduce local sales tax collections by $102,564 per year.

<u>Embolization Devices</u>
B&P notes approximately 300,000 people in the U.S. have a ruptured brain aneurysm each year. B&P notes that there is a newly FDA approved device used to treat brain aneurysms. Assuming that the incidence of ruptured brain aneurysms is similar throughout the U.S., B&P assumes that 570 Missouri residents suffer from a ruptured brain aneurysm each year.

Based on data published by the manufacture, this new embolization device costs about $1,000. Therefore, B&P estimates that this proposal could exempt $570,000 (570 patients x $1,000 treatment) in sales from state and local taxation.

Based on the above information, B&P estimates that this provision may reduce TSR by $24,083 and GR by $17,100 per year. Using the 2022 population weighted local sales tax rate of 4.07%, B&P further estimates this proposal may reduce local sales tax collections by $23,199 per year.

<u>Wheelchair accessories</u>
This proposal would also exempt wheelchair accessories. B&P notes that some accessories may already be exempt if they are attached to the wheelchair when purchases. However, such accessory may be subject to tax if purchased separately from a wheelchair. Due the complex taxability and limited sales data, B&P is unable to determine a potential impact from this provision. However, B&P anticipates that state and local revenue loss would be minimal.

<u>Summary</u>
B&P estimates that this proposal may reduce TSR by an amount that could exceed $130,553 and GR by an amount that could exceed $92,700 per year. Using the 2022 population weighted local

sales tax rate of 4.07%, B&P further estimates this proposal may reduce local sales tax collections by an amount that could exceed $125,763 per year.

Table 1: Estimated Impact by Fund

	FY 2024		FY 2025+	
State Funds				
General Revenue	Could exceed	($77,250)	Could exceed	($92,700)
Education (SDTF)	Could exceed	($25,750)	Could exceed	($30,900)
Conservation	Could exceed	($3,219)	Could exceed	($3,863)
DNR	Could exceed	($2,575)	Could exceed	($3,090)
Total State Revenues	**Could exceed**	**($108,794)**	**Could exceed**	**($130,553)**
Local Impact				
Local Sales Tax	Could exceed	($104,803)	Could exceed	($125,763)

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

Oversight notes the Park, Soil, and Water Sales Tax funds are derived from the one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR's sales taxes are constitutional mandates. Oversight notes this proposed sale tax exemption would decrease the revenue distributed to the Park, Soil, and Water Sales Tax Fund. Therefore, Oversight will reflect the B&P's and DOR's fiscal impact estimates for DNR's funds.

Oversight notes that the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax of the Missouri Constitution, thus MDC=s sales taxes are constitutional mandates. Oversight notes this proposed sale tax exemption would decrease the revenue distributed to the Conservation Sales Tax Fund. Therefore, Oversight will reflect the B&P's and DOR's fiscal impact estimates for MDC's funds.

Section 144.030.2(47) Diaper Sales Tax Exemption

Officials from the **Department of Revenue** note that the average child wears diapers for three years before becoming fully toilet trained. DOR found the price of diapers vary from $0.16 per diaper for generics to $0.60 for name brand. Prices of diapers also depend on the size of the diaper. Estimates by various children's organizations indicate that an infant in the first year of life goes through 2,500 diapers. The next two years as toddlers they go through 1,500 diapers annually.

Wearing Diaper	How Many	Low Price per Diaper	High Price per Diaper	Total Cost Low	Total Cost High
First Year (Size 1)	2,500	0.16	0.31	400	775

Second Year (Size 3)	1,500	0.18	0.38	270	570
Third Year (Size 5)	1,500	0.29	0.60	435	900

Based on the Department of Health and Senior Services, the average number of resident births from 2018-2020 was 71,554. Given that 3 years' worth of children are wearing diapers in any one year (1 set of infants and 2 sets of toddlers) we estimate the following:

Births Annually	71,554
# of kids in Diapers Annually	214,662
# of Diapers Annually	
infant	178,885,000
toddler (2yrs)	214,662,000
total (kids * diapers)	393,547,000

Since this would start on August 28, 2023, there would still be two months in FY 2024 in which the tax would be collected. The remaining 10 months would result in a loss to the state sales tax funds and local funds of the following:

State Funds	FY 2024 (10 months)		FY 2025+	
	Low	High	Low	High
General Revenue	($1,976,679)	($4,015,968)	($2,372,015)	($4,819,162)
School Districts	($658,893)	($1,338,656)	($790,672)	($1,606,387)
Conservation	($80,714)	($163,985)	($96,857)	($196,782)
Park, Soil & Water	($65,889)	($133,866)	($79,067)	($160,639)
Local Funds	($2,681,695)	($5,448,330)	($3,218,034)	($6,537,996)

DOR notes approximately one third of adults age 65 and older have moderate to severe urinary incontinence and 6 percent had moderate to severe bowl incontinence. According the United State Census Bureau 2020 population report, 1,033,384 individuals residing in Missouri were 65 or over. The Department notes that it is estimated that people with minor to moderate incontinence wear approximately 4 diapers per day while those with those with full urinary or fecal incontinence wear 6 diapers per day. The Department estimates that approximately 341,017 individuals aged 65 and over would utilize the four adult urinary incontinence diapers while 62,003 would wear 6 adult diapers daily.

The average cost for urinary incontinence diapers is $1.33 per diaper.

Number of people	# of Diapers	Days per year	Total Diapers per person	Price per diaper	Total Sales
279,014	4	365	1460	1.33	541,788,764
62,003	6	365	2190	1.33	180,596,255
					722,385,018

Since this would start on August 28, 2023, there would still be two months in FY 2024 in which the tax would be collected. The remaining 10 months would result in a loss to the state sales tax funds and local funds of the following:

State Funds	FY 2024 (10 months)	FY 2025+
General Revenue	($18,059,625)	($21,671,551)
School Districts	($6,019,875)	($7,223,850)
Conservation	($752,484)	($902,981)
Park, Soil & Water	($601,988)	($722,385)
Local Funds	($24,500,892)	($29,401,070)

Officials from the **Office of Administration - Budget and Planning (B&P)** note this provision would exempt all sales of diapers from sales tax beginning August 28, 2023.

Based on research, B&P found that the average amount spent on diapers was $1,000 during the first year and then $500 to $900 per year until toilet trained. Based on information from the University of Michigan Hospital, the average age until children are toilet trained is 2.5 years. Based on information provided by the United State Census 2020 population estimates (the most recent complete year available), there were approximately 217,943 children living in Missouri ages 0-2 years old, with 71,649 being less than one year old.

Therefore, B&P estimates total sales of $144,796,000 [(71,649 x $1,000) + (146,294 children x $500)] up to $194,535,960 [(71,649 x $1,000) + (146,294 children x $900)] may be impacted by this proposal. B&P estimates that this provision could reduce TSR by $6,117,631 to $8,219,144 annually. Using the population weighted average sales tax rate of 4.07% for 2022, B&P further estimates that this provision could reduce local sales tax collections by $5,893,197 to $7,917,614 annually.

<u>Diaper (Adult) Sales Tax Exemption</u>
According to research completed by the CDC, approximately 25% of adults age 65 and up had moderate to severe urinary incontinence and 8% had moderate to severe bowel incontinence. B&P notes that according the United State Census 2020 population (the most recent complete

year available) estimates there were approximately 1,089,714 individuals residing in Missouri age 65 and over.

Based on these numbers, B&P estimates that approximately 272,429 (1,089,714 x 25%) individual age 65 and over would utilize adult urinary incontinence diapers. B&P further estimates that approximately 87,177 (1,089,714 x 8%) individuals residing in Missouri age 65 and over would utilize adult bowel incontinence diapers.

Based on information from a budgeting website, the average cost for urinary incontinence diapers is $100 to $240 per month, for a yearly cost of $1,200 to $2,880. Further information from the budgeting website lists the average monthly bowel incontinence diapers is $70 to $210 per month, for a yearly cost of $840 to $2,520.

B&P estimates that total annual sales for urinary incontinence adult diapers would be approximately $326,914,200 (272,429 people x $1,200 annual cost) up to $784,594,080 (272,429 people x $2,880 annual cost).

B&P further estimates that the total annual sales for bowel incontinence adult diapers would be $73,228,781 (87,177 people x $840 annual cost) up to $219,686,342 (87,177 people x $2,520 annual cost).

Therefore, B&P estimates total sales of $400,142,981 ($326,914,200 + $73,228,781) up to $1,004,280,422 ($784,594,080 + $219,686,342) may be impacted by this proposal. B&P estimates that this provision could reduce TSR by $16,906,041 to $42,430,848 annually. Using the population weighted average sales tax rate of 4.07% for 2022, B&P further estimates that this provision could reduce local sales tax collections by $16,285,819 to $40,874,213 annually.

Section 144.030.2(48) Feminine Hygiene Product Sales Tax Exemption

Officials from the **Department of Revenue** note information from numerous sources indicates that a woman menstruates 500 times in her lifetime, usually between the ages of 13-51. The average length of a period is 3-7 days. Sources indicate that a woman uses the following:

	Number per cycle	Number per year	Number in Box	Boxes per year
Tampons	20	260	36	7.22
Pads/Panty Liners	5	65	36	1.81

Note a woman has 13 cycles a year (28 day cycle)/352 days a year.

The price per tampons and pads vary. DOR used a low and high price when determining the fiscal impact.

	Price Low	Price High	Total Cost Low	Total Cost High
Tampons	$7.00	$10.00	$50.56	$72.22
Pads/Panty Liners	$7.00	$10.00	$12.64	$18.06
			$63.19	$90.28

Using information from the US Census Bureau (2020 ACS 5 year estimates), DOR calculated the number of women having a period in Missouri (those between 13-51) as 1,543,060.

Since this would start on August 28, 2023, there would still be two months in FY 2024 in which the tax would be collected. The remaining 10 months would result in a loss to the state sales tax funds and local funds of the following:

	FY 2024 (10 months)		FY 2025 +	
	Low	High	Low	High
General Revenue	($2,437,820)	($3,482,601)	($2,925,384)	($4,179,121)
School	($812,607)	($1,160,867)	($975,128)	($1,393,040)
Conservation	($101,576)	($145,108)	($121,891)	($174,130)
Park, Soil & Water	($81,261)	($116,087)	($97,513)	($139,304)
	$0	$0	$0	$0
Locals	($3,307,310)	($4,724,728)	($3,968,772)	($5,669,674)

Officials from the **Office of Administration - Budget and Planning (B&P)** note this provision would exempt all sales of feminine hygiene products from sales tax beginning August 28, 2023.

B&P notes based on information from multiple sites, B&P estimates that women purchase an average of 6.8 to 7.2 boxes of tampons (average price $7 to $15) and 1.7 to 1.8 boxes (average price $6 to $15) of pads and liners per year (using the average cycle length of 28 to 30 days). B&P was also able to determine that the average age for menstruation is 12-51, and based on data provided by the United State Census 2020 population estimates (the most recent complete year available), there are approximately 1,552,606 woman between those ages residing in Missouri.

Therefore, B&P estimates total sales of $89,202,965 to $210,826,336 may be impacted by this proposal. B&P estimates that this provision could reduce TSR by $3,768,825 to $8,907,413 annually. Using the population weighted average sales tax rate of 4.07% for 2022, B&P further estimates that this provision could reduce local sales tax collections by $3,630,561 to $8,580,632 annually.

<u>Responses regarding the proposed legislation as a whole:</u>

DOR notes this proposal would require one time computer programming changes and form changes. This is estimated to cost $7,193.

Oversight assumes the **Department of Revenue** is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the programming and form costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

DOR notes this proposal will reduce state and local revenues by the following:

State Funds	FY 2024 (10 months)		FY 2025+	
	Low	High	Low	High
General Revenue	($22,474,125)	($25,558,194)	($26,968,950)	($30,669,833)
School Districts	($7,491,375)	($8,519,398)	($8,989,650)	($10,223,278)
Conservation	($934,775)	($1,061,578)	($1,121,730)	($1,273,894)
Park, Soil & Water	($749,138)	($851,940)	($898,965)	($1,022,328)
Local Funds	($30,489,896)	($34,673,950)	($36,587,876)	($41,608,740)

B&P estimates that this proposal may reduce TSR by $22,327,081 to $49,631,171 during FY24. Once fully implemented in FY25, this proposal may reduce TSR by $26,792,497 to $59,557,405 annually. In addition, this proposal could reduce local sales taxes by $25,809,577 to $57,372,459 annually. Table 1 shows the estimated impact by provision and fund.

Table 1: Total Estimated Loss by Provision and Fund

State Fund	FY24		FY25+	
General Revenue				
Feminine Hygiene	(2,230,074)	(5,270,658)	(2,676,089)	(6,324,790)
Diapers - Child	(3,619,900)	(4,863,399)	(4,343,880)	(5,836,079)
Diapers - Adult	(10,003,575)	(25,107,011)	(12,004,289)	(30,128,413)
Total GR Loss	**(15,853,549)**	**(35,241,068)**	**(19,024,258)**	**(42,289,282)**
Education				
Feminine Hygiene	(743,358)	(1,756,886)	(892,030)	(2,108,263)
Diapers - Child	(1,206,633)	(1,621,133)	(1,447,960)	(1,945,360)
Diapers - Adult	(3,334,525)	(8,369,004)	(4,001,430)	(10,042,804)
Total Education Loss	(5,284,516)	(11,747,023)	(6,341,419)	(14,096,427)
Conservation				
Feminine Hygiene	(92,920)	(219,611)	(111,504)	(263,533)

Diapers - Child	(150,829)	(202,642)	(180,995)	(243,170)
Diapers - Adult	(416,816)	(1,046,125)	(500,179)	(1,255,351)
Total Conservation Loss	(660,565)	(1,468,378)	(792,677)	(1,762,053)
DNR				
Feminine Hygiene	(74,336)	(175,689)	(89,203)	(210,826)
Diapers - Child	(120,663)	(162,113)	(144,796)	(194,536)
Diapers - Adult	(333,452)	(836,900)	(400,143)	(1,004,280)
Total DNR Loss	(528,452)	(1,174,702)	(634,142)	(1,409,643)
Total TSR Loss	**(22,327,081)**	**(49,631,171)**	**(26,792,497)**	**(59,557,405)**
Local Funds				
Feminine Hygiene	(3,025,467)	(7,150,527)	(3,630,561)	(8,580,632)
Diapers - Child	(4,910,998)	(6,598,011)	(5,893,197)	(7,917,614)
Diapers - Adult	(13,571,516)	(34,061,844)	(16,285,819)	(40,874,213)
Total Local Loss	**(21,507,981)**	**(47,810,382)**	**(25,809,577)**	**(57,372,459)**

Oversight notes both DOR & B&P assume this proposal will have a negative fiscal impact to both state and local funds. Therefore, Oversight will show B&P's and DOR's lowest and highest projected fiscal estimates to show the minimum low and maximum impact of this proposal.

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

Oversight notes the Park, Soil, and Water Sales Tax funds are derived from the one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR's sales taxes are constitutional mandates. Oversight notes the proposed sales tax exemption would decrease the amount of sales tax revenue distributed to the Park, Soil, and Water Sales Tax Fund. Therefore, Oversight will reflect the B&P's and DOR's fiscal impact estimates for DNR's funds.
Officials from the **Missouri Department of Conservation** assume this proposal would have an unknown 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 defers to the Department of Revenue as it is responsible for tax collection and 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 of the Missouri Constitution, thus MDC=s sales taxes are constitutional mandates. Oversight notes the proposed sales tax exemption would decrease the amount of sales tax revenue distributed to the Conservation Sales Tax Fund. Therefore, Oversight will reflect the B&P's and DOR's fiscal impact estimates for MDC's funds.

Officials from the **City of Springfield** and the **City of Kansas City** each assume the proposal would have a negative fiscal impact on their respective cities of an indeterminate amount.

Oversight notes the above local political subdivisions stated this proposal would have a negative fiscal impact on their respective cities of an indeterminate amount. Therefore, Oversight will note B&P and DOR's estimates for all local political subdivisions on the fiscal note.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities, counties, colleges, universities, and schools 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.

Senate Amendment 2 – Section 135. 647 - Food Pantry Tax Credit

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

Starting August 28, 2023, this proposal will increase the cap on the food pantry tax credit. Currently the cap is set at $1,750,000 and it will increase to $2,750,000. This will be a loss to general revenue of $1 million starting in FY 2024, the year in which the tax credits will be claimed.

This proposal also extends the sunset on the tax credit another year to 2027.

For informational purposes, the Department notes the Food Pantry tax credit program was created in 2007 and it had a sunset. In 2013, the sunset was extended and the cap was lowered to $1,250,000. Then in 2014, the cap was increased to its current $1,750,000. In 2018 the sunset was extended until 2026. Below is information on the authorization, issuance and redemption of the credits over the last few years.

Year	Issued	Total Redeemed
FY 2022	$1,749,992.00	$1,749,992.00
FY 2021	$1,749,992.00	$1,749,992.00
FY 2020	$1,131,882.00	$1,131,882.00
FY 2019	$1,380,894.00	$1,380,894.00
FY 2018	$1,679,924.00	$1,679,924.00
FY 2017	$1,584,566.00	$1,584,566.00
FY 2016	$1,155,480.00	$1,155,480.00
FY 2015	$1,118,866.00	$1,118,866.00
FY 2014	$840,234.00	$840,234.00
FY 2013	$72,822.00	$72,822.00

FY 2012	$796,156.10	$796,156.10
TOTALS	$13,260,808.10	$13,260,808.10

Since this is an existing credit DOR already has the forms in place. DOR will need to update the computer program but will do that with existing resources.

Officials from the **Office of Administration – Budget & Planning assume** this proposal would increase the annual limit for the food pantry tax credit from $1,750,000 to $2,750,000. B&P notes that this proposal would become effective August 28, 2023. Therefore, B&P assumes that the increase cap would begin in FY24, for tax year 2023. This proposal would also increase the sunset date from 2026 to 2027.

B&P notes that the three-year average redemptions for the food pantry tax credit is $1,543,955. However, redemptions for both FY21 and FY22 were at the annual limit. Therefore, B&P estimates that this proposal may decrease TSR and GR by $1 million annually beginning in FY24.

Oversight notes that the proposal allow for additional appropriation regarding the food pantry and shown last three years of disbursements below:

	FY 2020 ACTUAL	FY 2021 ACTUAL	FY 2022 ACTUAL
Certificates Issued (#)	0	0	0
Projects (#)	1,493	3,183	3,195
Amount Authorized	$0	$0	$0
Amount Issued	$0	$0	$0
Amount Redeemed	$1,131,882	$1,749,992	$1,749,992

Oversight notes that any taxpayer who donates cash or food to any local food pantry, local homeless shelter, or local soup kitchen shall be allowed a credit against the tax due under Chapter 143, RSMo, excluding withholding tax, in an amount equal to 50 percent of the value of the donations made.

Oversight notes that any donation of food shall be valued at fair market value or wholesale value if the taxpayer making the donation is a retail grocery store, food broker, wholesaler, or restaurant and shall be verified on an affidavit completed by the food pantry, local homeless shelter, or Local soup kitchen receiving the donation.

Oversight notes that currently the amount of credit claimed shall not exceed the amount of the taxpayer's state tax liability for the year the credit is claimed and shall not exceed $2,500 per taxpayer and the cumulative amount of tax credits allocated to all taxpayers in any one fiscal year shall not exceed $1,750,000.

Oversight notes the proposal allows for maximum cap of $2.750,000, therefore, Oversight will reflect reduction of $1 million in general revenue, for purpose of this fiscal note, due to the expansion of the tax credit maximum cap.

Lastly, **Oversight** notes this proposal extends the sunset until FY 2027 from previously set date in FY 2026.

FISCAL IMPACT – State Government	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
Cost – Section 135.1610 Urban Farm Tax Credits - p.18-21	Up to ($2,800,000)	Up to ($2,800,000)	Up to ($2,800,000)
Revenue Gain – Section 135.1610.6 Recapture of the tax credits - p.16	Unknown	Unknown	Unknown
Revenue Reduction – Section 135.1620 – Tax credit for the establishment of a grocery store in a food desert (p. 3-9)	$0	$0 Up to ($22,000,000)	$0 Up to ($22,000,000)
Costs – MDA – Section 261.021 2 FTE			
Personnel Service	($88,162)	($106,852)	($107,920)
Fringe Benefits	($58,960)	($71,147)	($71,547)
Expense & Equipment	($44,406)	($14,272)	($14,557)
Total Costs -	($191,528)	($192,271)	($194,024)
FTE Change – 1 FTE MDA (p.13-14)	2 FTE	2 FTE	2 FTE
Costs – DED – Section 135.1620 2 FTE	$0	$0 Up to	$0 Up to
Personnel Service	$0	($76,158)	($77,681)
Fringe Benefits	$0	($44,077)	($44,646)
Expense & Equipment	$0	($13,883)	($4,262)
Total Costs -	$0	($134,118)	($126,589)
FTE Change – DED (p.9)	0 FTE	0 Up to 1 FTE	0 Up to 1 FTE
Revenue Reduction - Brain cancer device sales tax exemption	($63,000)	($75,600)	($75,600)
Revenue Reduction Embolization device sales tax exemption	($14,250)	($17,100)	($17,100)

Revenue Reduction - Rolling conformity for Medicare exemptions	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Revenue Reduction - Wheelchair accessories sales tax exemption	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - §144.030 - Exemption of sales tax on child diapers	($1,976,679 to $4,863,399)	($2,372,015 to $5,836,079)	($2,372,015 to $5,836,079)
Revenue Reduction - §144.030 - Exemption of sales tax on adult diapers	($10,003,575 to $25,107,011)	($12,004,289 to $30,128,413)	($12,004,289 to $30,128,413)
Revenue Reduction - §144.030 - Exemption of sales tax on feminine hygiene products	($2,230,074 to $5,270,658)	($2,676,089 to $6,324,790)	($2,676,089 to $6,324,790)
Revenue Reduction - §135.647 – Local Food Pantry Tax Credit	($1,000,000)	($1,000,000)	($1,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($43,279,106) Up to ($64,309,846)**	**($46,271,482) Up to ($68,420,097)**	**($46,265,706) Up to ($68,502,595)**
PARK, SOIL, WATER FUNDS (0614)			
Revenue Reduction - Brain cancer device sales tax exemption	($2,100)	($2,520)	($2,520)
Revenue Reduction - Embolization device sales tax exemption	($475)	($570)	($570)
Revenue Reduction - Rolling conformity for Medicare exemptions	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Revenue Reduction - Wheelchair accessories sales tax exemption	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - §144.030 - Exemption of sales tax on child diapers	($65,889 to $162,113)	($96,857 to $196,782)	($96,857 to $196,782)

Revenue Reduction - §144.030 - Exemption of sales tax on adult diapers	($333,452 to $836,900)	($400,143 to $1,004,280)	($400,143 to $1,004,280)
Revenue Reduction - §144.030 - Exemption of sales tax on feminine hygiene products	($74,336 to $175,689)	($89,203 to $210,826)	($89,203 to $210,826)
ESTIMATED NET EFFECT ON PARK , SOIL AND WATER FUNDS	**Could exceed ($1,177,277)**	**Could exceed ($1,414,978)**	**Could exceed ($1,414,978)**
CONSERVATION COMMISSION FUNDS (0609)			
Revenue Reduction - Brain cancer device sales tax exemption	($2,625)	($3,150)	($3,150)
Revenue Reduction - Embolization device sales tax exemption	($594)	($713)	($713)
Revenue Reduction - Rolling conformity for Medicare exemptions	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Revenue Reduction - Wheelchair accessories sales tax exemption	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - §144.030 - Exemption of sales tax on child diapers	($80,714 to $202,642)	($96,857 to $243,170)	($96,857 to $243,170)
Revenue Reduction - §144.030 - Exemption of sales tax on adult diapers	($416,816 to $1,046,125)	($500,179 to $1,255,351)	($500,179 to $1,255,351)
Revenue Reduction - §144.030 - Exemption of sales tax on feminine hygiene products	($92,920 to $219,611)	($111,504 to $263,533)	($111,504 to $263,533)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUNDS	**Could exceed ($1,471,597)**	**Could exceed ($1,765,917)**	**Could exceed ($1,765,917)**

SCHOOL DISTRICT TRUST FUND (0688)			
Revenue Reduction - Brain cancer device sales tax exemption	($21,000)	($25,200)	($25,200)
Revenue Reduction - Embolization device sales tax exemption	($4,750)	($5,700)	($5,700)
Revenue Reduction - Rolling conformity for Medicare exemptions	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Revenue Reduction - Wheelchair accessories sales tax exemption	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - §144.030 - Exemption of sales tax on child diapers	($658,893 to $1,621,133)	($790,672 to $1,945,360)	($790,672 to $1,945,360)
Revenue Reduction - §144.030 - Exemption of sales tax on adult diapers	($3,334,525 to $8,369,004)	($4,001,430 to $10,042,804)	($4,001,430 to $10,042,804)
Revenue Reduction - §144.030 - Exemption of sales tax on feminine hygiene products	($743,358 to $1,756,886)	($892,030 to $2,108,263)	($892,030 to $2,108,263)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**Could exceed ($11,722,773)**	**Could exceed ($14,172,327)**	**Could exceed ($14,127,327)**

FISCAL IMPACT – Local Government	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
Revenue Reduction - Brain cancer device sales tax exemption	($85,470)	($102,564)	($102,564)
Revenue Reduction - Embolization device sales tax exemption	($19,333)	($23,199)	($23,199)

Revenue Reduction - Rolling conformity for Medicare exemptions	$0 to (Unknown)	$0 to (Unknown)	$0 to (Unknown)
Revenue Reduction - Wheelchair accessories sales tax exemption	(Unknown)	(Unknown)	(Unknown)
Revenue Loss - §144.030 Diaper & Feminine Hygiene Product Sales Tax Exemption	($21,507,981 to $47,810,382)	($25,809,577 to $57,372,459)	($25,809,577 to $57,372,459)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	**($21,612,784) Up to ($47,915,185)**	**($25,935,340) Up to ($57,498,222)**	**($25,935,340) Up to ($57,498,222)**

FISCAL IMPACT – Small Business

Some small business will be able to experience direct fiscal impact as a result of this proposal.

FISCAL DESCRIPTION

This act modifies provisions relating to improving access to products essential for healthy living.

FOOD PANTRY TAX CREDIT

Current law authorizes tax credits for donations made to local food pantries, local soup kitchens, and local homeless shelters, with such tax credits limited to annual authorizations of $1.75 million. This act increases the maximum amount of annual authorizations to $2.75 million.

Additionally, such tax credits are scheduled to sunset on December 31, 2026. This act extends the sunset date to December 31, 2027.

URBAN FARMS TAX CREDIT

Current law authorizes a tax credit for fifty percent of eligible expenses incurred for establishing or improving an urban farm. This act expands such tax credit to include expenses incurred for establishing or improving a small-scale specialty crop farm in a food desert, as such terms are defined in the act. This act also modifies the definition of "urban farm" to provide that urban farms shall not exceed five acres in size. Additionally, the maximum amount of such tax credits that may be authorized in a calendar year is increased from $200,000 to $3 million. (Section 135.1610)

GROCERY STORE TAX CREDIT

For all tax years beginning on or after January 1, 2024, this act authorizes a tax credit for expenses incurred in the establishment of a full-service grocery store located in a food desert, as such terms are defined in the act. The tax credit shall be equal to fifty percent of eligible expenses that are in excess of initial expenses, which shall be at least $1 million in eligible expenses if the full-service grocery store is located in a charter county, a first class county, or in St. Louis City, or at least $500,000 if located in any other county.

A taxpayer shall apply to the Department of Economic Development and shall indicate the amount of eligible expenses, the date of the commencement of construction and operations, and any other information required by the Department.

The tax credit authorized by this act shall not exceed $2.5 million per tax year and shall not be refundable, but may be carried forward for three subsequent tax years. The total amount of tax credits authorized under this act shall not exceed $22 million per calendar year, and shall be issued on a first-come, first-served basis.

The Department shall recoup from a taxpayer any amount of tax credits issued if the taxpayer fails to complete construction of the full-service grocery store within five years of commencement of the project or if the taxpayer fails to operate the full-service grocery store for at least ten consecutive years. A taxpayer shall annually submit a report to the Department indicating compliance with the act.

This act shall expire on December 31, 2029, unless reauthorized by the General Assembly. (Section 135.1620)

SALES TAX EXEMPTIONS

This act authorizes a sales tax exemption for the purchase of diapers, as defined in the act.

This act also provides a sales tax exemption for all purchases of feminine hygiene products, defined as tampons, pads, liners, and cups.

Current law provides a sales tax exemption for certain durable medical equipment as defined on January 1, 1980, by the federal Medicare program. This act removes the reference to January 1, 1980.

Additionally, current law provides a sales tax exemption for the sales or rental of manual and powered wheelchairs, including parts. This act applies the exemption to accessories for such wheelchairs. (Section 144.030)

SOCIALLY DISADVANTAGED COMMUNITIES OUTREACH PROGRAM

This act creates within the Department of Agriculture the "Socially Disadvantaged Communities Outreach Program" to connect historically unserved and underserved communities with access to healthy fresh food and knowledge and skills related to food production. The program shall accomplish certain tasks as described in the act. The Department shall submit an annual report to the General Assembly detailing the number of residents who received training pursuant to the act. (Section 261.021)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Office of Administration – Budget & Planning
Department of Revenue
Department of Economic Development
Office of the Secretary of State
Missouri Department of Agriculture
Joint Committee on Administrative Rules

Julie Morff
Director

Ross Strope
Assistant Director
March 23, 2023

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