

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1897S.01I
 Bill No.: SB 513
 Subject: Taxation and Revenue - Sales and Use; Boats and Watercraft
 Type: Original
 Date: March 31, 2023

Bill Summary: This proposal authorizes a sales tax exemption for boat docks.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|--|--|--|
| FUND AFFECTED | FY 2024 | FY 2025 | FY 2026 |
| General Revenue | (Unknown, could exceed \$100,000) | (Unknown, could exceed \$100,000) | (Unknown, could exceed \$100,000) |
| Total Estimated Net Effect on General Revenue | (Unknown, could exceed \$100,000) | (Unknown, could exceed \$100,000) | (Unknown, could exceed \$100,000) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------------|------------------|------------------|
| FUND AFFECTED | FY 2024 | FY 2025 | FY 2026 |
| School District Trust Fund (0688)* | (Unknown) | (Unknown) | (Unknown) |
| Parks and Soils State Sales Tax Fund(S) (0613 & 0614)* | (Unknown) | (Unknown) | (Unknown) |
| Conservation Commission Fund (0609)* | (Unknown) | (Unknown) | (Unknown) |
| Total Estimated Net Effect on <u>Other</u> State Funds | (Unknown) | (Unknown) | (Unknown) |

* **Oversight** assumes the fiscal impact from the sales tax exemption authorized in 144.030(47) would not exceed the \$250,000 threshold.

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 <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2024 | FY 2025 | FY 2026 |
| | | | |
| | | | |
| 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 2024 | FY 2025 | FY 2026 |
| | | | |
| Local Government | (Unknown) | (Unknown) | (Unknown) |

FISCAL ANALYSIS

ASSUMPTION

Section 144.030(47) Boat Dock Sales Tax Exemption

Officials from the **Department of Revenue (DOR)** note this proposal will add boat docks and the rental of boat docks to the list of items exempt from state and local sales tax. The current state sales tax rate is 4.225%. It is distributed as follows:

| | | |
|---------------------------------|--------|-----------------------------|
| General Revenue is | 3.000% | |
| School District Trust Fund is | 1.000% | (Section 144.701) |
| Conservation Commission Fund is | 0.125% | (Article IV, Section 43(a)) |
| Parks, Soil & Water Funds | 0.100% | (Article IV, Section 47(a)) |

When calculating sales tax, DOR will use a 4.07% weighted average for local political subdivisions.

DOR notes sales tax is collected on all items that are tangible personal property unless expressly delineated in statutes to be exempt. There has been a growing confusion among taxpayers as to when and if they owe sales tax on boat docks. In Section 339.503 boat docks are considered real property and therefore are subject to property tax not sales tax. However, in Sections 137.016 & 137.090 boat docks are referred to as tangible personal property which is subject to sales tax. Additionally, some county assessors are assessing boat docks as real property and collecting property tax on them.

From FY 2019-FY 2022 the Department has conducted audits of businesses that own or lease boat docks. DOR has found that at least \$144,000 in unpaid boat dock sales tax went unreported. Mostly due to the confusion they believed it was subject to real property tax rather than sales tax.

There is no single source for the number of boat docks in Missouri. The Department is unable to determine the number of boat docks in the state or to determine the number that are not currently paying sales tax. This bill will eliminate the confusion and make the docks exempt which will result in a loss to the sales tax funds of an unknown amount exceeding \$100,000.

This will require the Department to update their forms, website and computer systems which 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 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 exempt boat docks from state and local sales taxes beginning August 28, 2023. B&P notes that this would also exempt the leasing of boat docks from sales tax. Based on information provided by DOR, B&P estimates that this proposal could reduce TSR by an amount that may exceed \$100,000 per year. This proposal will also reduce local sales tax revenues by an unknown amount.

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. The proposed sales tax exemption of boat docks could reduce the amount of sales tax revenue distributed to the Park, Soil, and Water Sales Tax Funds. Therefore, Oversight will reflect an unknown negative fiscal impact to the fund beginning in FY 2024. Based on information from the Department of Revenue, Oversight does not expect the fiscal impact to reach the (\$250,000) threshold.

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. The proposed sales tax exemption of boat docks could reduce the amount of sales tax revenue distributed to the Conservation Sales Tax Fund. Therefore, Oversight will reflect an unknown negative fiscal impact to the fund beginning in FY 2024. Based on information from the Department of Revenue, Oversight does not expect the fiscal impact to reach the (\$250,000) threshold.

Officials from the **City of Kansas City** and the **City of Springfield** each assume this legislation could 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. The proposed sales tax exemption of boat docks could reduce the amount of sales tax revenue distributed to locals. Therefore, Oversight will reflect an unknown negative fiscal impact to all local political subdivisions beginning in FY 2024.

Officials from the **City of O'Fallon** 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 this City.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions 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 2024 (10 Mo.) | FY 2025 | FY 2026 |
|--|---|---|---|
| GENERAL REVENUE | | | |
| <u>Revenue Reduction - §144.030 – Boat Dock Sales Tax Exemption</u> | <u>(Unknown, could exceed \$100,000)</u> | <u>(Unknown, could exceed \$100,000)</u> | <u>(Unknown, could exceed \$100,000)</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>(Unknown, could exceed \$100,000)</u> | <u>(Unknown, could exceed \$100,000)</u> | <u>(Unknown, could exceed \$100,000)</u> |
| SCHOOL DISTRICT TRUST FUND | | | |
| <u>Revenue Reduction - §144.030 – Boat Dock Sales Tax Exemption</u> | <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 Reduction - §144.030 – Boat Dock Sales Tax Exemption</u> | <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> |

| <u>FISCAL IMPACT – State Government</u> <u>(continued)</u> | FY 2024 (10 Mo.) | FY 2025 | FY 2026 |
|---|-------------------------|-------------------------|-------------------------|
| CONSERVATION COMMISSION FUND | | | |
| <u>Revenue Reduction - §144.030 – Boat Dock Sales Tax Exemption</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 2024 (10 Mo.) | FY 2025 | FY 2026 |
|---|-------------------------|-------------------------|-------------------------|
| LOCAL POLITICAL SUBDIVISIONS | | | |
| <u>Revenue Reduction - §144.030 – Boat Dock Sales Tax Exemption</u> | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS | <u>(Unknown)</u> | <u>(Unknown)</u> | <u>(Unknown)</u> |

FISCAL IMPACT – Small Business

Certain small businesses that purchase, lease and/or rent boat docks could be impacted by this proposal.

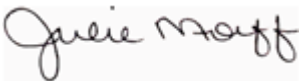
FISCAL DESCRIPTION

This act authorizes a sales tax exemption for boat docks and the rental or lease thereof.

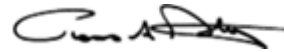
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning
Department of Natural Resources
Missouri Department of Conservation
City of Kansas City
City of Springfield
City of O'Fallon



Julie Morff
Director
March 31, 2023



Ross Strobe
Assistant Director
March 31, 2023