

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3946S.02I
 Bill No.: SB 1127
 Subject: Taxation and Revenue - Sales and Use
 Type: Original
 Date: April 8, 2024

Bill Summary: This proposal authorizes a sales tax exemption for certain vitamins.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue	(\$2,259,296)*	(\$3,012,394)	(\$3,012,394)
Total Estimated Net Effect on General Revenue	(\$2,259,296)	(\$3,012,394)	(\$3,012,394)

*The fiscal impact for FY2025 is less because FY2025 is a partial year (9 months)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
School District Trust Fund (0688)	(\$753,099)*	(\$1,004,132)	(\$1,004,132)
Parks and Soils State Sales Tax Fund(s) (0613 & 0614)	(\$75,310)*	(\$100,413)	(\$100,413)
Conservation Commission Fund (0609)	(\$94,137)*	(\$125,516)	(\$125,516)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$922,546)*	(\$1,230,061)	(\$1,230,061)

*The fiscal impact for FY2025 is less because FY2025 is a partial year (9 months)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Local Government	(\$4,759,582)*	(\$6,346,110)	(\$6,346,110)

*The fiscal impact for FY2025 is less because FY2025 is a partial year (9 months)

FISCAL ANALYSIS

ASSUMPTION

Section 144.030 Vitamin Sales Tax Exemption

Officials from the **Department of Revenue (DOR)** note in Section 144.020, items that are sold are subject to state and local sales and use tax. The state sales tax is 4.225%. That sales tax is broken down as:

General Revenue	3%
School District	1%
Conservation Commission	.125
Parks, Soil & Water Funds	.1%

This proposal starting August 28, 2024, would exempt vitamins and minerals used to support prenatal and menstrual phases from state and local sales and use tax. It should be noted that sales tax is distributed one month behind the collection. Therefore, DOR will show the loss of 9 months in the first fiscal year (FY 2025).

For fiscal note purposes, the Department is using a weighted local tax rate of 6.32% to calculate the average local sales tax loss. In an effort to more accurately reflect the estimated local impact, B&P and DOR have moved from a population weighted average local sales tax rate to a location weighted average local sales tax rate. This change was made to reflect where sales actually occur, rather than exclusively where people live.

DOR notes that vitamins that contain a nutrition label are taxed at the food sales tax rate of 1.225% instead of the 4.225% rate. DOR is unable to determine which prenatal and menstrual vitamins contain the nutrition label and are assessed at the lower vs higher rate. For fiscal note purposes only, DOR will assume all currently pay the 4.225% rate and therefore, any impact could potentially be lower than estimated.

Prenatal Vitamins

DOR does not track the number of vitamins or minerals sold in Missouri. Using market data, DOR notes that \$189.3 million dollars in vitamins was sold in the U.S. in 2023. Using birth data by the U.S. Census Bureau shows that Missouri has 1.8% of the total births in the U.S.

Therefore, taking 1.8% of the total vitamin market leads the department to assume Missourians purchase approximately \$3,376,053 in prenatal vitamins.

Therefore, DOR estimates this could reduce general revenue by \$101,282 and total state revenue by \$142,638 annually. Additionally, this would result in a loss to the local political subdivisions of \$213,367 annually.

Menstrual Vitamins

DOR does not track the number of vitamins or minerals sold in Missouri. Using published data for 2021, the U.S market for menstrual health supplements was \$5.3 billion. Per the U.S. Census Bureau women in Missouri ages 15 and up make up 1.8% of all the women in the U.S. Therefore, taking 1.8% of the menstrual health supplement market DOR can assume that approximately \$97 million is purchased in Missouri.

Therefore, DOR estimates that this could reduce general revenue by \$2,911,112 and total state revenue by \$4,099,816 annually. Additionally, this would result in a loss to the local political subdivisions of \$6,132,743 annually.

Summary

Table 1 shows the estimated impact by fund and provision.

Table 1: Estimated Revenue Impact

<u>State Fund</u>	FY 2025	FY 2026+
General Revenue		
Prenatal Vitamin	(\$75,962)	(\$101,282)
Menstrual Supplement	(\$2,183,334)	(\$2,911,112)
Total GR Impact	(\$2,259,296)	(\$3,012,394)
Education (SDTF)		
Prenatal Vitamin	(\$25,321)	(\$33,761)
Menstrual Supplement	(\$727,778)	(\$970,371)
Total SDTF Impact	(\$753,099)	(\$1,004,132)
Conservation		
Prenatal Vitamin	(\$3,165)	(\$4,220)
Menstrual Supplement	(\$90,972)	(\$121,296)
Total Conservation Impact	(\$94,137)	(\$125,516)
DNR		
Prenatal Vitamin	(\$2,532)	(\$3,376)
Menstrual Supplement	(\$72,778)	(\$97,037)
Total DNR Impact	(\$75,310)	(\$100,413)
Total TSR Impact	(\$3,181,842)	(\$4,242,455)
<u>Local Funds</u>		
Local Sales Tax		
Prenatal Vitamin	(\$160,025)	(\$213,367)
Menstrual Supplement	(\$4,599,557)	(\$6,132,743)
Total Local Impact	(\$4,759,582)	(\$6,346,110)

This proposal will require DOR to modify their forms, website and computer programming. This will result in costs estimated at \$8,923.

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 create a sales tax exemption for prenatal and menstrual vitamins / minerals beginning August 28, 2024.

Prenatal Vitamins

Based on published market data, the U.S. market for prenatal vitamins was \$189.3 million in 2023.

In order to estimate the size of the Missouri prenatal vitamin market, B&P utilized birth data published by the U.S. Census Bureau. In 2022, women in Missouri made up 1.8% of total births in the U.S. over the previous twelve months.

Assuming that women in Missouri have a similar usage pattern of prenatal vitamin use, B&P estimates that Missouri could also account for 1.8% of the U.S. prenatal vitamin market. Therefore, B&P estimates that of the \$189.3 million in total U.S. sales, approximately \$3.4 million occur in Missouri.

Based on the above information, B&P estimates that this provision could reduce GR by \$101,282 and TSR by \$142,638 annually. Using the location* weighted average sales tax rate of 6.32% for 2023, B&P further estimates that this provision could reduce local sales tax collections by \$213,367 annually.

*In an effort to more accurately reflect the estimated local impact, B&P and DOR have moved from a population weighted average local sales tax rate to a location weighted average local sales tax rate. This change was made to reflect where sales actually occur, rather than exclusively where people live.

Menstrual Vitamins

Based on published market data, the U.S. market for PMS and menstrual health supplements was \$5.3 billion in 2021.

In order to estimate the size of the Missouri menstrual supplement market, B&P utilized population data published by the U.S. Census Bureau. In 2022, Missouri women ages 15 and older made up 1.8% of all women in the U.S. aged 15 and older.

Assuming that woman in Missouri account for an equal percentage of menstrual supplement usage, B&P estimates that Missouri could also account for 1.8% of the U.S. menstrual supplement market. Therefore, B&P estimates that of the \$1.3 billion U.S. sales, approximately \$97.0 million occur in Missouri.

Based on the above information, B&P estimates that this provision could reduce GR by \$2,911,112 and TSR by \$4,099,816 annually. Using the location* weighted average sales tax rate of 6.32% for 2023, B&P further estimates that this provision could reduce local sales tax collections by \$6,132,743 annually.

Summary

B&P estimates that this proposal could reduce GR by \$3,012,394 and TSR by \$4,242,455 annually. This proposal may also reduce local sales tax collections by \$6,346,110 annually. Table 1 shows the estimated impact by fund and provision.

Table 1: Estimated Revenue Impact

<u>State Fund</u>	FY 2025	FY 2026+
General Revenue		
Prenatal Vitamin	(\$75,962)	(\$101,282)
Menstrual Supplement	(\$2,183,334)	(\$2,911,112)
Total GR Impact	(\$2,259,296)	(\$3,012,394)
Education (SDTF)		
Prenatal Vitamin	(\$25,321)	(\$33,761)
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<u>Local Funds</u>		
Local Sales Tax		
Prenatal Vitamin	(\$160,025)	(\$213,367)
Menstrual Supplement	(\$4,599,557)	(\$6,132,743)
Total Local Impact	(\$4,759,582)	(\$6,346,110)

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 assumes the proposed sales tax exemption may decrease the amount of sales tax distributed to this 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 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 assumes the proposed sales tax exemption may decrease the amount of sales tax revenue distributed to this fund. Therefore, Oversight will reflect the B&P's and DOR's fiscal impact estimates for MDC's funds.

Oversight estimated the following sales of vitamins in Missouri based on published market data and data from the US Census Bureau.

<u>Prenatal Vitamins</u>	
US Sales	\$189,300,000
Women who had a birth in the past 12 months (USA)	4,036,894
Amount spent on vitamins per woman (USA)	\$47
Women who had a birth in the past 12 months (MO)	74,145
<u>MO Prenatal Vitamin sales</u>	\$3,476,843

<u>Menstrual Vitamins</u>	
US Sales	\$5,300,000,000
Women who did not have a birth in the past 12 months (USA) (Women Aged 15-50)	\$73,412,835
Amount spent on vitamins per woman	\$72
Women who did not have a birth in the past 12 months (MO) (Women Aged 15-50)	1,331,323
<u>MO Menstrual Vitamin sales</u>	\$96,114,145

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

Oversight notes the effective sales tax rate for local political subdivision is estimated at 4.3% based on the Taxable Sales for the Entire State for FY 2022 (\$97,642,125,269) and the Sales Tax Distribution to local political subdivisions for FY 2022 (\$4,226,659,429). Using a sales tax rate of 4.3% and the taxable sales provided by DOR and B&P, Oversight estimates a loss of revenue for local political subdivisions as noted below:

Local Impact	FY 2025 (Partial)	FY 2026+
Prenatal Vitamins	\$109,650	\$146,200
Menstrual Vitamins	\$3,128,250	\$4,171,000
Total	\$3,237,900	\$4,212,650

For the purpose of this fiscal note, Oversight will show a loss in revenue based on the weighted sales tax rate provided by B&P. If the weighted local sales tax rate provided by B&P is inaccurate, this would change the impact presented in this fiscal note.

Officials from the **City of Kansas City** assume this legislation is projected to have a negative fiscal impact of an indeterminable amount. Additional exemptions and/or limits on revenue growth will hamper the City of Kansas City’s ability to ensure that basic services such as public safety, road repair, and emergency response can continue to be provided to serve the needs of the City’s growing population.

Officials from the **Phelps County Sheriff, Kansas City Police Dept.,** and the **St. Louis County Police Dept** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

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 2025 (9 Mo.)	FY 2026	FY 2027
GENERAL REVENUE FUND			
<u>Revenue Reduction - §144.030 – Sales Tax exemption for Certain Vitamins</u>	<u>(\$2,259,296)</u>	<u>(\$3,012,394)</u>	<u>(\$3,012,394)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$2,259,296)</u>	<u>(\$3,012,394)</u>	<u>(\$3,012,394)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue Reduction - §144.030 – Sales Tax exemption for Certain Vitamins</u>	<u>(\$753,099)</u>	<u>(\$1,004,132)</u>	<u>(\$1,004,132)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(\$753,099)</u>	<u>(\$1,004,132)</u>	<u>(\$1,004,132)</u>
PARKS AND SOILS STATE SALES TAX FUNDS			
<u>Revenue Reduction - §144.030 – Sales Tax exemption for Certain Vitamins</u>	<u>(\$75,310)</u>	<u>(\$100,413)</u>	<u>(\$100,413)</u>

<u>FISCAL IMPACT – State Government</u>	FY 2025 (9 Mo.)	FY 2026	FY 2027
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS	<u>(\$75,310)</u>	<u>(\$100,413)</u>	<u>(\$100,413)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue Reduction</u> - §144.030 – Sales Tax exemption for Certain Vitamins	<u>(\$94,137)</u>	<u>(\$125,516)</u>	<u>(\$125,516)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(\$94,137)</u>	<u>(\$125,516)</u>	<u>(\$125,516)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (9 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Reduction</u> - §144.030 – Sales Tax exemption for Certain Vitamins	<u>(\$4,759,582)</u>	<u>(\$6,346,110)</u>	<u>(\$6,346,110)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(\$4,759,582)</u>	<u>(\$6,346,110)</u>	<u>(\$6,346,110)</u>

FISCAL IMPACT – Small Business

Certain small businesses that sell certain vitamins could be impacted by this proposal.

FISCAL DESCRIPTION

This act authorizes a sales tax exemption for all sales of vitamins or minerals used to support prenatal and menstrual phases.

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

L.R. No. 3946S.02I

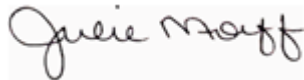
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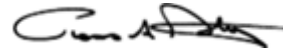
April 8, 2024

SOURCES OF INFORMATION

Department of Natural Resources
Missouri Department of Conservation
Office of Administration - Budget and Planning
Department of Revenue
City of Kansas City
Phelps County Sheriff
Kansas City Police Dept.
St. Louis County Police Dept



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April 8, 2024



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