

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0134S.02I
 Bill No.: SB 57
 Subject: Taxation and Revenue - Sales and Use
 Type: Original
 Date: January 29, 2025

Bill Summary: This proposal modifies provisions relating to sales tax exemptions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue Fund	Could exceed (\$24,424,371)	Could exceed (\$32,565,828)	Could exceed (\$32,565,828)
Total Estimated Net Effect on General Revenue	Could exceed (\$24,424,371)*	Could exceed (\$32,565,828)	Could exceed (\$32,565,828)

*Oversight notes the fiscal impact for FY2026 is lesser because FY2026 is a partial year (9 months).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
School District Trust Fund (0688)	Could exceed (\$144,354,405)	Could exceed (\$192,472,540)	Could exceed (\$192,472,540)
Conservation Commission Fund (0609)	Could exceed (\$18,042,867)	Could exceed (\$24,057,157)	Could exceed (\$24,057,157)
Parks and Soils State Sales Tax Fund(s) (0613 & 0614)	Could exceed (\$14,435,441)	Could exceed (\$19,247,254)	Could exceed (\$19,247,254)
Total Estimated Net Effect on <u>Other</u> State Funds	Could exceed (\$176,832,713)*	Could exceed (\$235,776,951)	Could exceed (\$235,776,951)

*Oversight notes the fiscal impact for FY2026 is lesser because FY2026 is a partial year (9 months).

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Local Government	Could exceed (\$637,313,729)	Could exceed (\$849,751,637)	Could exceed (\$849,751,637)

*Oversight notes the fiscal impact for FY2026 is lesser because FY2026 is a partial year (9 months).

FISCAL ANALYSIS

ASSUMPTION

Section 144.014 - Sales Tax on Food

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%

In 1997, Section 144.014 was adopted and it exempted the collection of the 3% general revenue portion of the state sales tax on food products identified by the SNAP program, while leaving the remaining 1.225% state sales tax in place. Additionally, food items not identified under the SNAP program (like food in restaurants) retained the 4.225% general state sales tax rate.

Section 144.014.1(1) of this proposal would exempt SNAP identified food from the remaining 1.225% state sales tax rate starting August 28, 2025. This proposal leaves the 4.225% rate on foods not identified under the SNAP program. Additionally, it exempts the local sales tax on food starting August 28, 2025.

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. For fiscal note purposes, the local sales tax rate will be 4.46%.

This proposal adds language in Section 144.014.1(2) wanting to reduce the local sales tax over a period of years starting January 1, 2026. Since the local sales tax is eliminated as of August 28, 2025, this section is unnecessary.

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 2026).

The Department notes that in FY 2024, food reported \$18,417,420,927 in taxable sales. Therefore, the School District Trust Fund received \$184,174,209, the Conservation Commission Fund received \$23,021,776 and the Park, Soil & Water Funds received \$18,417,421 in state sales tax.

The Department notes the estimated local sales tax collected by type of district.

District	Total Local Tax
City	\$417,371,880.06
TIF	\$10,389,211.24
County	\$308,398,281.84
Districts (all other pol sub)	\$76,581,710.27
Total	\$812,741,083.41

The Department is allowed to retain a 1% collection fee off some of the local sales and use tax the department collects. Community Improvement Districts (CID), Transportation Development Districts (TDD) and Port Authority Districts do not have the 1% retained even those most other districts do. For those districts in which DOR collects the 1% fee DOR assumes a loss to general revenue of \$3,196,182 in FY 2026 and \$7,670,837 in FY 2027 and beyond from the 1% fee.

The expected revenue loss to the State and local political subdivision funds is estimated at:

State Fund		
	FY 2026 (9 Months)	FY 2027
GR (1% fee)	(\$5,753,128)	(\$7,670,837)
Education	(\$138,130,657)	(\$184,174,209)
Conservation	(\$17,266,332)	(\$23,021,776)
DNR	(\$13,813,066)	(\$18,417,421)
Total State Loss	(\$174,963,183)	(\$233,284,243)
Local Funds		
City	(\$313,028,910)	(\$417,371,880)
TIF	(\$7,791,908)	(\$10,389,211)
County	(\$231,298,711)	(\$308,398,282)
CID	(\$18,357,274)	(\$24,476,365)
TDD	(\$15,876,135)	(\$21,168,180)
Ambulance	(\$11,797,078)	(\$15,729,437)
Fire	(\$4,741,948)	(\$6,322,598)
Emergency	(\$3,366,649)	(\$4,488,865)
Other	(\$3,297,199)	(\$4,396,265)
Total Local Loss	(\$609,555,813)	(\$812,741,083)

In order to implement this change the Department will need to modify the department's sales tax forms (\$2,200), update its website and computer programs (\$1,832) for an estimated cost of \$4,032. Additionally, notice to the department's vendors would occur using various means.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would exempt food from state sales tax beginning August 28, 2025. B&P notes that currently the state tax rate on non-prepared food is 1.225%; with 1% going to the School District Trust Fund, 0.125% going to Conservation, and 0.1% going to the Parks, Soil and Water Funds.

Local Sales Tax Issue

This proposal attempts to reduce the local sales tax on food over several years, beginning January 1, 2026. Per subsection 2, the local tax on food shall be reduced in four equal increments over four years and beginning January 1, 2030, there shall be no local tax on food. B&P assumes that the four equal reductions are 20% (2026), 40% (2027), 60% (2028), and 80% (2029).

However, B&P notes that subsection 2 states that "...the rate of sales tax imposed on all retail sales of food pursuant to the local sales tax law as defined in section 32.085 and section 238.235...". Both section 32.085 and section 238.235 only apply to items taxable under sections 144.010 to 144.525 (sales tax). Subsection 1 of this proposal exempts food from Chapter 144 (sales and use tax).

Therefore, it is not clear whether this proposal would immediately exempt food from both state and local taxes (subsection 1), or if the reduction in local sales tax would be allowed to occur (subsection 2). In addition, B&P notes that the immediate exemption would begin August 28, 2025; while the tax reduction would not begin until January 1, 2026. For the purpose of this fiscal note, B&P will show the potential local impact as "or".

Estimated Impact

In FY43, state sales tax collections on food was \$225,613,406. B&P estimates that approximately \$184,174,209 of those collections were distributed to the School District Trust Fund, \$23,021,776 to Conservation, and \$18,417,421 to the Parks, Soil and Water Funds.

Based on information from DOR, during FY24 \$812,741,083 in local sales tax money was collected from the retail sale of food. The following table shows the amounts collected by district type.

Table 1: Local Food Sales Tax
Collections, FY24

District	Sales Tax
City	\$417,371,880
City - TIF	\$10,389,211
County	\$308,398,282
CID	\$24,476,365
TDD	\$21,168,180
Ambulance	\$15,729,437
Fire Protection	\$6,322,598
Emergency Services	\$4,488,865
Other Districts	\$4,396,265

B&P notes that “other districts” include hospital districts, port improvement districts, library districts, jail districts, recreational districts, and zoological districts.

B&P also notes that sales tax distributions are one month behind collections.

B&P further notes that DOR is granted a 1% collection fee on sales taxes distributed to local jurisdictions, except CIDs, TDDs, and Port Improvement districts. Therefore, this proposal could reduce general revenue by \$639,236 (local tax reduced) or by \$5,753,096 (local immediately exempt) in FY26. Once fully implemented, this proposal may reduce general revenue by \$7,670,837 annually.

B&P estimates that this provision may reduce TSR by \$169,849,291 (local tax reduced) or by \$174,963,151 (local immediately exempt) in FY26. Once fully implemented, this proposal could reduce TSR by \$233,284,243 annually.

This proposal could also reduce local sales tax collections by \$67,728,423 (local tax reduced) or by \$609,555,813 (local immediately exempt) in FY26. Once fully implemented, this proposal could reduce local sales tax collections by \$812,741,083. Table 2 shows the estimated impact by state and local fund.

Table 2: Estimated Grocery Tax Loss by Fund

<u>State Fund</u>		FY 2026		FY 2027		FY 2028
GR (1% fee)	or	(\$639,236)	or	(\$2,173,404)	or	(\$3,707,571)
		(\$5,753,096)		(\$7,670,837)		(\$7,670,837)
Education		(\$138,130,657)		(\$184,174,209)		(\$184,174,209)
Conservation		(\$17,266,332)		(\$23,021,776)		(\$23,021,776)
DNR		(\$13,813,066)		(\$18,417,421)		(\$18,417,421)
Total State Loss	or	(\$169,849,291)	or	(\$227,786,810)	or	(\$229,320,977)
		(\$174,963,151)		(\$233,284,243)		(\$233,284,243)
<u>Local Funds</u>						
City	or	(\$34,780,990)	or	(\$118,255,366)	or	(\$201,729,742)
		(\$313,028,910)		(\$417,371,880)		(\$417,371,880)
City - TIF	or	(\$865,768)	or	(\$2,943,610)	or	(\$5,021,452)
		(\$7,791,908)		(\$10,389,211)		(\$10,389,211)
County	or	(\$25,699,857)	or	(\$87,379,513)	or	(\$149,059,170)
		(\$231,298,711)		(\$308,398,282)		(\$308,398,282)
CID	or	(\$2,039,697)	or	(\$6,934,970)	or	(\$11,830,243)
		(\$18,357,274)		(\$24,476,365)		(\$24,476,365)
TDD	or	(\$1,764,015)	or	(\$5,997,651)	or	(\$10,231,287)
		(\$15,876,135)		(\$21,168,180)		(\$21,168,180)
Ambulance	or	(\$1,310,786)	or	(\$4,456,674)	or	(\$7,602,561)
		(\$11,797,078)		(\$15,729,437)		(\$15,729,437)
Fire	or	(\$526,883)	or	(\$1,791,403)	or	(\$3,055,922)
		(\$4,741,948)		(\$6,322,598)		(\$6,322,598)
Emergency	or	(\$374,072)	or	(\$1,271,845)	or	(\$2,169,618)
		(\$3,366,649)		(\$4,488,865)		(\$4,488,865)
Other	or	(\$366,355)	or	(\$1,245,609)	or	(\$2,124,862)
		(\$3,297,199)		(\$4,396,265)		(\$4,396,265)
Total Local Loss	or	(\$67,728,423)	or	(\$230,276,641)	or	(\$392,824,857)
		(\$609,555,813)		(\$812,741,083)		(\$812,741,083)

Table 2: Estimated Grocery Tax Loss by Fund (cont.)

<u>State Fund</u>		FY 2029		FY 2030		FY 2031
-						
GR (1% fee)	or	(\$5,241,739)	or	(\$6,775,906)		(\$7,670,837)
		(\$7,670,837)		(\$7,670,837)		
Education		(\$184,174,209)		(\$184,174,209)		(\$184,174,209)
Conservation		(\$23,021,776)		(\$23,021,776)		(\$23,021,776)
DNR		(\$18,417,421)		(\$18,417,421)		(\$18,417,421)
Total State Loss	or	(\$230,855,145)	or	(\$232,389,312)		(\$233,248,243)
		(\$233,284,243)		(\$233,284,243)		
<u>Local Funds</u>						
City	or	(\$285,204,118)	or	(\$368,678,494)		(\$417,371,880)
		(\$417,371,880)		(\$417,371,880)		
City - TIF	or	(\$7,099,294)	or	(\$9,177,137)		(\$10,389,211)
		(\$10,389,211)		(\$10,389,211)		
County	or	(\$210,738,826)	or	(\$272,418,482)		(\$308,398,282)
		(\$308,398,282)		(\$308,398,282)		
CID	or	(\$16,725,516)	or	(\$21,620,789)		(\$24,476,365)
		(\$24,476,365)		(\$24,476,365)		
TDD	or	(\$14,464,923)	or	(\$18,698,559)		(\$21,168,180)
		(\$21,168,180)		(\$21,168,180)		
Ambulance	or	(\$10,748,448)	or	(\$13,894,336)		(\$15,729,437)
		(\$15,729,437)		(\$15,729,437)		
Fire	or	(\$4,320,442)	or	(\$5,584,961)		(\$6,322,598)
		(\$6,322,598)		(\$6,322,598)		
Emergency	or	(\$3,067,391)	or	(\$3,965,164)		(\$4,488,865)
		(\$4,488,865)		(\$4,488,865)		
Other	or	(\$3,004,115)	or	(\$3,883,368)		(\$4,396,265)
		(\$4,396,265)		(\$4,396,265)		
Total Local Loss	or	(\$555,373,073)	or	(\$717,921,290)		(\$812,741,083)
		(\$812,741,083)		(\$812,741,083)		

Officials from the **St Louis Budget Division** assume the elimination of food sales from the local sales tax would have a significant negative impact on the City's annual revenues. Potential loss of revenue is estimated at \$22.5 million based on FY 24 year sales tax distributions.

The City of St. Louis has two sales taxes for Metropolitan Parks purposes that already exempt food purchases. These taxes are set at a rate of 1/10 cent and a 3/16 cent respectively. In comparing the sales tax distributions from these two taxes with distributions for the City's 1 cent sales tax, the % impact of food sales can be estimated as illustrated below:

					<u>vs. 1 Cent</u>
2024	1 Cent Sales Tax Distribution			\$48,559,202	100%
2024	1/10 Cent Metro Parks Distrib *	4,387,722	/ .10 =	\$43,877,220	90%
2024	3/16 Cent Metro Parks Distrib *	8,249,005	/ .1875 =	\$43,994,693	91%

* Note City receives allocation of 50% and 40% of Metro parks taxes respectively

Adjusting for the difference in rates, the sales taxes exempting food purchases are at approximately 90% of the 1 cent sales tax which has no such exemption. Thus, the estimated loss in revenue from food purchases can be estimated at 10% of total sales. Applying this difference to all the other City sales taxes produces an estimated potential loss in revenue of \$22.5 million as illustrated in the table below:

City of St. Louis Sales Tax Revenues FY 24

				Estimated	
		2024 MODOR	Estimated w/	Impact of Excl.	
	<u>Rate</u>	<u>Distributions</u>	<u>Food Exemption</u>	<u>Food Sales</u>	<u>Notes</u>
City Sales Taxes					
General Fund Sales Tax	1.000	\$48,559,202	\$43,703,000	\$(4,856,202)	Receipt amounts reflect
General Fund Sales Tax	0.375	\$18,122,582	\$16,310,000	\$(1,812,582)	gross sales tax distributions
Local Parks Sales Tax	0.125	\$6,040,842	\$5,437,000	\$(603,842)	prior to TIF or other adjustments
Public Safety Sales Tax I	0.500	\$24,163,311	\$21,747,000	\$(2,416,311)	
Public Safety Sales Tax II (Prop P)	0.500	\$31,431,648	\$28,288,000	\$(3,143,648)	
Economic Development	0.500	\$24,188,408	\$21,770,000	\$(2,418,408)	
Metro Parks Sales Tax I (City Share)	0.100	\$2,193,861	\$2,193,861	\$ -	Reflects City share of 50%

Metro Parks Sales Tax II (City Share)	0.188	\$3,299,602	\$3,299,602	\$ -	Reflects City share of 40%
Capital Improvements Sales Tax	0.500	\$24,163,442	\$21,747,000	\$(2,416,442)	
Transportation Sales Tax	0.500	\$24,277,682	\$21,850,000	\$(2,427,682)	
Transportation Sales Tax (Metro)	0.500	\$24,163,236	\$21,747,000	\$(2,416,236)	
	4.788				
	Total	\$230,603,816	\$208,092,463	\$(22,511,353)	

Oversight notes, per DOR’s [FY 2024 Food Tax Report](#), there was \$788,241,412 in food tax reported by local political subdivisions and \$255,613,406 reported for State funds (1.225%).

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

Section 144.030 Sales Tax Law Changes

Officials from the **Department of Revenue (DOR)** note Section 144.030.2(1) changes the reference from the Missouri pesticide registration law to the Missouri pesticide registration act. It also expands the sections covered by this act from 281.220 to 281.310 to 281.210 to 281.310, RSMo. These changes will not fiscally impact DOR.

Section 144.030.2(18) updates an out-of-date statutory reference. This will not fiscally impact DOR.

Section 144.030.2(25) removes the sectional reference 4091, which was repealed by Congress. This will not fiscally impact DOR.

Officials from the Department of Revenue assume this provision 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.

Section 144.030 - Sales Tax Exemption for Diapers

Officials from the **Department of Revenue (DOR)** note beginning August 28, 2025, the tax levied and imposed under Chapter 144 (Section 144.030.2(47)) on all retail sales of kid’s diapers and adult diapers shall be exempt from taxation. This exemption extends to the local sales tax rate as well as the state sales tax rate. The current state sales tax rate of is 4.225%. The current state tax rate is distributed as:

General Revenue is	3%	
School District Trust Fund is	1%	(Section 144.701)
Conservation Commission Fund is	.125%	(Article IV, Section 43(a))
Parks, Soil & Water Funds	.1%	(Article IV, Section 47(a))

For fiscal note purposes, the local sales tax rate will be 4.46%.

Kid Diapers

The Department notes 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 information from the MO Dept of Health & Senior Services, the average number of children born in the last three years, is 69,167. Given that 3 years’ worth of children are wearing diapers in any one year (1 set of infants and 2 sets of toddlers) DOR estimates the following:

Births Annually	69,167
# of kids in Diapers Annually	207,500
# of Diapers Annually	
infant	172,916,667
toddler (2yrs)	207,500,000
total (kids * diapers)	380,416,667

Since this would start on August 28, 2025, and sales tax is remitted one month behind collection, this would result in 9 months collected in FY 2026. This would result in a loss to the state sales tax funds and local funds as follows:

State Funds	FY 2026 (9 months)		FY 2027+	
	Low	High	Low	High
General Revenue	(\$1,719,656)	(\$3,493,781)	(\$2,292,875)	(\$4,658,375)
School Districts	(\$573,219)	(\$1,164,594)	(\$764,292)	(\$1,552,792)
Conservation	(\$70,219)	(\$142,663)	(\$93,626)	(\$190,217)
Park, Soil & Water	(\$57,322)	(\$116,459)	(\$76,429)	(\$155,279)
Local Funds	(\$2,556,556)	(\$5,194,088)	(\$3,408,741)	(\$6,925,451)

Adult Diapers

Approximately one third of adults aged 65 and older have moderate to severe urinary incontinence and 6 percent had moderate to severe bowel incontinence. According to the United State Census Bureau 2020 population report, 1,077,757 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 290,994 individuals aged 65 and over would utilize the four adult urinary incontinence diapers while 64,665 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
290,994	4	365	1460	1.33	565,052,907
64,665	6	365	2190	1.33	188,350,969
					753,403,875

Since this would start on August 28, 2025, and sales tax is remitted one month behind implementation, this would result in 9 months collected in FY 2026. This would result in a loss to the state sales tax funds and local funds as follows:

State Funds	FY 2026 (9 months)	FY 2027+
General Revenue	(\$16,951,587)	(\$22,602,116)
School Districts	(\$5,650,529)	(\$7,534,039)
Conservation	(\$706,316)	(\$941,755)
Park, Soil & Water	(\$565,053)	(\$753,404)

Local Funds	(\$25,201,360)	(\$33,601,813)
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This would result in a loss to the state and local from kids and adult diapers of:

General Revenue	FY 2026		FY 2027 +	
	Low	High	Low	High
Child diapers	(\$1,715,736)	(\$3,485,817)	(\$2,287,648)	(\$4,647,756)
Adult diapers	(\$16,951,587)	(\$16,951,587)	(\$22,602,116)	(\$22,602,116)
Total GR Loss	(\$18,667,323)	(\$20,437,404)	(\$24,889,764)	(\$27,249,872)

Elimination of diapers will result in DOR needing to update the department’s sales tax forms (\$2,200) and are computer program (\$1,832). This will result in costs of \$4,032.

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 all sales of diapers and incontinence products from sales tax beginning August 28, 2025.

Diaper (Child) Sales Tax Exemption

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 2023 population estimates (the most recent complete year available), there were approximately 206,138 children living in Missouri ages 0-2 years old, with 67,996 being less than one year old.

Therefore, B&P estimates total sales of \$137,067,000 [(67,996 infants x \$1,000 cost per year) + (138,142 toddlers x \$500 cost per year)] up to \$184,035,280 [(67,996 infants x \$1,000 cost per year) + (138,142 toddlers x \$900 cost per year)] may be impacted by this proposal.

B&P estimates that this provision could reduce TSR by \$5,791,081 to \$7,775,491 annually. Using the sales location weighted average sales tax rate of 4.46% for 2024, B&P further estimates that this provision could reduce local sales tax collections by \$6,113,188 to \$8,207,973 annually.

Table 3: Estimated Loss by Fund - Child Diapers

State Fund	FY26		FY27+	
General Revenue	(\$3,084,008)	(\$4,140,794)	(\$4,112,010)	(\$5,521,058)
Education	(\$1,028,003)	(\$1,380,265)	(\$1,370,670)	(\$1,840,353)
Conservation	(\$128,500)	(\$172,533)	(\$171,334)	(\$230,044)
DNR	(\$102,800)	(\$138,026)	(\$137,067)	(\$184,035)
Total TSR Loss	(\$4,343,311)	(\$5,831,618)	(\$5,791,081)	(\$7,775,491)
Local Funds	(\$4,584,891)	(\$6,155,980)	(\$6,113,188)	(\$8,207,973)

Diaper (Adult) Sales Tax Exemption

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 2023 population (the most recent complete year available) estimates there were approximately 1,136,615 individuals residing in Missouri age 65 and over.

Based on these numbers, B&P estimates that approximately 284,154 (1,136,615 x 25%) individual age 65 and over would utilize adult urinary incontinence diapers. B&P further estimates that approximately 90,929 (1,136,615 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 could be approximately \$340,984,500 (284,154 people x \$1,200 annual cost) up to \$818,362,800 (284,154 people x \$2,880 annual cost).

B&P further estimates that the total annual sales for bowel incontinence adult diapers could be \$76,380,528 (90,929 people x \$840 annual cost) up to \$229,141,584 (90,929 people x \$2,520 annual cost).

Therefore, B&P estimates total sales of \$417,365,028 (\$340,984,500 urinary incontinence + \$76,380,528 bowl incontinence) up to \$1,047,504,384 (\$818,362,800 urinary incontinence + \$229,141,584 bowl incontinence) may be impacted by this proposal.

B&P estimates that this provision could reduce TSR by \$17,633,672 to \$44,257,060 annually. Using the sales location weighted average sales tax rate of 4.46% for 2024, B&P further estimates that this provision could reduce local sales tax collections by \$18,614,480 to \$46,718,696 annually.

Table 4: Estimated Loss by Fund - Adult Diapers

<u>State Fund</u>	FY26		FY27+	
General Revenue	(\$9,390,713)	(\$23,568,849)	(\$12,520,951)	(\$31,425,132)
Education	(\$3,130,238)	(\$7,856,283)	(\$4,173,650)	(\$10,475,044)
Conservation	(\$391,280)	(\$982,035)	(\$521,706)	(\$1,309,380)
DNR	(\$313,024)	(\$785,628)	(\$417,365)	(\$1,047,504)
Total TSR Loss	(\$13,225,254)	(\$33,192,795)	(\$17,633,672)	(\$44,257,060)
Local Funds	(\$13,960,860)	(\$35,039,022)	(\$18,614,480)	(\$46,718,696)

Officials from the **St Louis Budget Division** assume this provision will reduce sales tax revenue. However, the financial impact is unknown.

Oversight notes officials from B&P and DOR have conducted independent research and both assume this provision will have a direct fiscal impact on state revenues. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a fiscal impact that could exceed DOR’s estimated impacts in the fiscal note.

Responses regarding the proposed legislation as a whole

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(s) may decrease the amount of sales tax revenue distributed to this fund. Therefore, Oversight will reflect 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(s) may decrease the amount of sales tax revenue distributed to this fund. Therefore, Oversight will reflect DOR’s fiscal impact estimates for MDC’s funds.

Officials from the **City of Kansas City** assume the proposed legislation has a negative fiscal impact to the city of over \$43M for grocery sales and \$419,000 for diapers.

Rule Promulgation

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

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

Oversight 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 2026 (9 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
<u>Revenue Reduction</u> - §144.014 - Sales tax exemption for “food” (Forgone 1% local collection fee by DOR) - p. (4)	(\$5,753,128)	(\$7,670,837)	(\$7,670,837)

<u>FISCAL IMPACT – State Government</u>	FY 2026 (9 Mo.)	FY 2027	FY 2028
<u>Revenue Reduction</u> - §144.030 - Sales tax exemption for child diapers - p. (11)	Could exceed (\$1,719,656)	Could exceed (\$2,292,875)	Could exceed (\$2,292,875)
<u>Revenue Reduction</u> - §144.030 - Sales tax exemption for adult diapers- p. (12)	Could exceed (\$16,951,587)	Could exceed (\$22,602,116)	Could exceed (\$22,602,116)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	Could exceed <u>(\$24,424,371)</u>	Could exceed <u>(\$32,565,828)</u>	Could exceed <u>(\$32,565,828)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue Reduction</u> - §144.014 - Sales tax exemption for “food” - p. (4)	(\$138,130,657)	(\$184,174,209)	(\$184,174,209)
<u>Revenue Reduction</u> - §144.030 - Sales tax exemption for child diapers - p. (11)	Could exceed (\$573,219)	Could exceed (\$764,292)	Could exceed (\$764,292)
<u>Revenue Reduction</u> - §144.030 - Sales tax exemption for adult diapers- p. (12)	Could exceed (\$5,650,529)	Could exceed (\$7,534,039)	Could exceed (\$7,534,039)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	Could exceed <u>(\$144,354,405)</u>	Could exceed <u>(\$192,472,540)</u>	Could exceed <u>(\$192,472,540)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue Reduction</u> - §144.014 - Sales tax exemption for “food” - p. (4)	(\$17,266,332)	(\$23,021,776)	(\$23,021,776)
<u>Revenue Reduction</u> - §144.030 - Sales tax exemption for child diapers - p. (11)	Could exceed (\$70,219)	Could exceed (\$93,626)	Could exceed (\$93,626)
<u>Revenue Reduction</u> - §144.030 - Sales tax exemption for adult diapers- p. (12)	Could exceed (\$706,316)	Could exceed (\$941,755)	Could exceed (\$941,755)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	Could exceed <u>(\$18,042,867)</u>	Could exceed <u>(\$24,057,157)</u>	Could exceed <u>(\$24,057,157)</u>

<u>FISCAL IMPACT – State Government</u>	FY 2026 (9 Mo.)	FY 2027	FY 2028
PARKS AND SOILS STATE SALES TAX FUNDS			
<u>Revenue Reduction</u> - §144.014 - Sales tax exemption for “food” - p. (4)	(\$13,813,066)	(\$18,417,421)	(\$18,417,421)
<u>Revenue Reduction</u> - §144.030 - Sales tax exemption for child diapers - p. (11)	Could exceed (\$57,322)	Could exceed (\$76,429)	Could exceed (\$76,429)
<u>Revenue Reduction</u> - §144.030 - Sales tax exemption for adult diapers- p. (12)	Could exceed (\$565,053)	Could exceed (\$753,404)	Could exceed (\$753,404)
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS	Could exceed (\$14,435,441)	Could exceed (\$19,247,254)	Could exceed (\$19,247,254)

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (9 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Reduction</u> - §144.014 - Sales tax exemption for “food” - p. (4)	(\$609,555,813)	(\$812,741,083)	(\$812,741,083)
<u>Revenue Reduction</u> - §144.030 - Sales tax exemption for child diapers - p. (11)	Could exceed (\$2,556,556)	Could exceed (\$3,408,741)	Could exceed (\$3,408,741)
<u>Revenue Reduction</u> - §144.030 - Sales tax exemption for adult diapers- p. (12)	Could exceed (\$25,201,360)	Could exceed (\$33,601,813)	Could exceed (\$33,601,813)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	Could exceed (\$637,313,729)	Could exceed (\$849,751,637)	Could exceed (\$849,751,637)

FISCAL IMPACT – Small Business

Certain small businesses that sell “food” as defined in the proposal and/or diapers could be impacted by this proposal, as they would no longer collect sales tax on these items.

FISCAL DESCRIPTION

This act modifies provisions relating to sales tax exemptions.

FOOD SALES TAX EXEMPTION

Current law taxes retail sales of food, as defined in current law, at a rate of one percent. This act provides that retail sales of food shall be exempt from state sales taxes.

This act also provides that, beginning on January 1, 2026, local sales taxes imposed on food shall annually be reduced in four equal increments over a period of four years. Beginning January 1, 2030, there shall be no local sales taxes imposed on food. (Section 144.014)

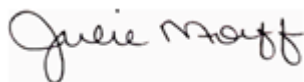
DIAPERS SALES TAX EXEMPTION

This act authorizes a sales tax exemption for the purchase of diapers, as defined in the act. (Section 144.030)

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
Office of the Secretary of State
Joint Committee on Administrative Rules
City of Kansas City
St Louis Budget Division



Julie Morff
Director
January 29, 2025



Jessica Harris
Assistant Director
January 29, 2025