

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0803S.01I  
 Bill No.: SB 145  
 Subject: Taxation and Revenue - General; Taxation and Revenue - Sales and Use  
 Type: Original  
 Date: January 28, 2025

Bill Summary: This proposal modifies provisions relating to the taxation of certain businesses.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	(\$2,975,149) *	(\$3,966,865)	(\$3,966,865)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$2,975,149) *</b>	<b>(\$3,966,865)</b>	<b>(\$3,966,865)</b>

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

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
School District Trust Fund (0688)	(\$991,716)	(\$1,322,288)	(\$1,322,288)
Conservation Commission Fund (0609)	(\$123,965)	(\$165,286)	(\$165,286)
Parks and Soils State Sales Tax Fund(s) (0613 & 0614)	(\$99,172)	(\$132,229)	(\$99,172)
<b>Total Estimated Net Effect on <u>Other State Funds</u></b>	<b>(\$1,214,853)</b>	<b>(\$1,619,803)</b>	<b>(\$1,586,746)</b>

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

Numbers within parentheses: () indicate costs or losses.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Local Government</b>	<b>Could exceed (\$4,423,055)*</b>	<b>Could exceed (\$5,897,406)</b>	<b>Could exceed (\$4,423,055)</b>

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

## FISCAL ANALYSIS

### ASSUMPTION

#### **Sections 71.610 & 92.045 - Local Business Licenses**

Officials from the **Office of Administration - Budget and Planning (B&P)** note these sections would exclude businesses / enterprises with less than \$10,000 in sales per year from the requirement of obtaining a local business license.

B&P anticipates that this provision could have an unknown, negative, impact on local revenues. B&P defers to the impacted locations.

**Oversight** notes [local business license fees](#) vary from \$25-\$200 depending upon the location throughout the state. Oversight is unable to determine the number of qualifying businesses, therefore, Oversight will show an unknown negative fiscal impact to local political subdivisions.

**Oversight** received a limited number of responses from local political subdivisions related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional 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 144.010 - Sales Tax Filing Threshold**

Officials from the **Office of Administration - Budget and Planning (B&P)** note beginning August 28, 2025, businesses with taxable sales between \$3,000 and \$10,000 per year would no longer be required to collect and remit state and local sales taxes. B&P notes that the current threshold is \$3,000 per year.

B&P notes that this proposal would not exempt these sales from sales tax, instead the burden to file and remit will fall to consumers and their annual use tax return. However, compliance with the use tax is extremely low, therefore, B&P assumes that this proposal will still result in the full loss to GR as well as other state and local sales tax funds.

Based on information provided by DOR, there were 21,052 businesses with sales between \$3,000 and \$10,000 in FY23, with total taxable sales of \$132,228,829. Therefore, exempting these businesses from remitting sales tax would reduce TSR by \$5,586,668 ( $\$132,228,829 \times 4.225\%$ ) and GR by \$3,966,865 annually. This proposal would also reduce local sales tax by \$5,897,406 annually.

Table 1: Estimated Revenue Impact

<b>State Funds</b>	FY 2026	FY 2027+
General Revenue	(\$2,975,149)	(\$3,966,865)
Education	(\$991,716)	(\$1,322,288)
Conservation	(\$123,965)	(\$165,286)
DNR	(\$99,172)	(\$132,229)
Total State Revenue	(\$4,190,002)	(\$5,586,668)
<b>Local Funds</b>		
Local Sales Tax	(\$4,423,055)	(\$5,897,406)

Officials from the **Department of Revenue (DOR)** note currently sales tax is to be collected by the seller of tangible personal property if the amount of sales made in a calendar year exceed \$3,000. This proposal will increase that amount to \$10,000. This removes the requirement that the seller be responsible for the to collection and remittance of the sales tax but does not remove the requirement of the tax being owed (Section 144.020).

DOR notes that when a seller does not collect the required sales tax on an item, it is the responsibility of the consumer to pay the tax. DOR notes that few consumers actually self-remit as required. Therefore, DOR will show the loss from the sellers not collecting the tax.

Using DOR internal records, the department notes that 21,053 businesses filed returns last year reporting sales tax between \$3,000 and \$10,000 with taxable sales of \$132,228,829. The Current GR Sales and Use tax rate is 4.225%. Which is deposited as follows:

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))

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. The local rate is 4.46%.

DOR notes that this proposal is to begin on August 28, 2024, and that sales tax is remitted one month behind collection. Therefore, this will result in a loss of 9 months for FY 2026.

This will result in the following loss to the state and local sales tax funds.

Table 1: Estimated Revenue Impact

<b>State Funds</b>	FY 2026	FY 2027+
General Revenue	(\$2,975,149)	(\$3,966,865)
Education	(\$991,716)	(\$1,322,288)
Conservation	(\$123,965)	(\$165,286)
DNR	(\$99,172)	(\$132,229)
<b>Total State Revenue</b>	<b>(\$4,190,002)</b>	<b>(\$5,586,668)</b>
<b>Local Funds</b>		
Local Sales Tax	(\$4,423,055)	(\$5,897,406)

DOR notes that this proposal would require DOR to update the department’s computer system at a cost of \$1,832.

**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 **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 changes may decrease the amount of sales tax revenue distributed to this fund. Therefore, Oversight will reflect B&P’s and DOR’s fiscal impact estimates for DNR’s funds.

Officials from the **Missouri Department of Conservation** assume the proposal will have no fiscal impact on their organization.

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

**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.

Responses regarding the proposed legislation as a whole

Officials from the **City of Kanas City** assume the proposed legislation has a negative fiscal impact.

Officials from the **City of O’Fallon** assume the proposal will have no fiscal impact on their organization.

**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
<b>GENERAL REVENUE FUND</b>			
<u>Revenue Reduction</u> - §144.010 - Sales tax filing threshold increase	<u>(\$2,975,149)</u>	<u>(\$3,966,865)</u>	<u>(\$3,966,865)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$2,975,149)</u></b>	<b><u>(\$3,966,865)</u></b>	<b><u>(\$3,966,865)</u></b>
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Revenue Reduction</u> - §144.010 - Sales tax filing threshold increase	<u>(\$991,716)</u>	<u>(\$1,322,288)</u>	<u>(\$1,322,288)</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b><u>(\$991,716)</u></b>	<b><u>(\$1,322,288)</u></b>	<b><u>(\$1,322,288)</u></b>
<b>CONSERVATION COMMISSION FUND</b>			
<u>Revenue Reduction</u> - §144.010 - Sales tax filing threshold increase	<u>(\$123,965)</u>	<u>(\$165,286)</u>	<u>(\$165,286)</u>
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b><u>(\$123,965)</u></b>	<b><u>(\$165,286)</u></b>	<b><u>(\$165,286)</u></b>
<b>PARKS AND SOILS STATE SALES TAX FUNDS</b>			

<u>FISCAL IMPACT – State Government</u>	FY 2026 (9 Mo.)	FY 2027	FY 2028
<u>Revenue Reduction</u> - §144.010 - Sales tax filing threshold increase	(\$99,172)	(\$132,229)	(\$99,172)
<b>ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS</b>	<b><u>(\$99,172)</u></b>	<b><u>(\$132,229)</u></b>	<b><u>(\$99,172)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (9 Mo.)	FY 2027	FY 2028
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue Reduction</u> - §71.610 & §92.045 - Removal of local business license requirement for qualifying businesses	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - §144.010 - Sales tax filing threshold increase	(\$4,423,055)	(\$5,897,406)	(\$4,423,055)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>Could exceed (\$4,423,055)</u></b>	<b><u>Could exceed (\$5,897,406)</u></b>	<b><u>Could exceed (\$4,423,055)</u></b>

FISCAL IMPACT – Small Business

Certain small businesses that have gross receipts less than \$10,000 in a calendar year could be impacted by this proposal as they would not be required to pay for a local business license or collect and remit sales taxes under this proposal.

FISCAL DESCRIPTION

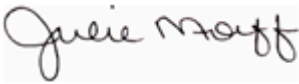
Current law authorizes cities to impose a business license tax upon businesses. This act provides that no city shall impose a business license tax upon any enterprise for which the total amount of gross receipts from sales is \$10,000 or less in any calendar year. (Sections 71.610 and 92.045)

Additionally, current law provides that a person is not engaging in business in this state for the purposes of collecting state sales tax if the isolated or occasional sale of any tangible personal property, service, substance, or other thing by such person does not accrue gross receipts in excess of \$3,000 in any calendar year. This act increases such threshold to \$10,000. (Section 144.010)

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

SOURCES OF INFORMATION

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



Julie Morff  
Director  
January 28, 2025



Jessica Harris  
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January 28, 2025