

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4583S.01I
Bill No.: SB 1017
Subject: Taxation and Revenue - Sales and Use
Type: Original
Date: January 28, 2026

Bill Summary: This proposal authorizes a state sales tax exemption for food.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	\$0 or (\$5,959,407)	\$0 or (\$7,945,918)	\$0 or (\$7,945,918)
Total Estimated Net Effect on General Revenue	\$0 or (\$5,959,407)	\$0 or (\$7,945,918)	\$0 or (\$7,945,918)

*Oversight notes the above potential loss of revenue represents the potential forgone 1% collection fee on local sales taxes, assuming the proposed sales tax exemption applies to local sales taxes.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
School District Trust Fund(1688)	(\$142,530,795)	(\$190,041,060)	(\$190,041,060)
Conservation Commission Fund (1609)*	\$0 or (\$17,816,349)	\$0 or (\$23,755,133)	\$0 or (\$23,755,133)
Parks and Soils State Sales Tax Funds (1613 & 1614)*	\$0 or (\$14,253,080)	\$0 or (\$19,004,106)	\$0 or (\$19,004,106)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$142,530,795) or (\$174,600,224)	(\$190,041,060) or (\$232,800,299)	(\$190,041,060) or (\$232,800,299)

*Oversight notes the above potential loss of revenue represents the loss of revenue to constitutionally mandated sales tax funds, assuming the proposed sales tax exemption applies to these funds.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
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 2027	FY 2028	FY 2029
Local Government*	\$0 or (\$630,214,392)	\$0 or (\$840,285,857)	\$0 or (\$840,285,857)

*Oversight notes the above potential loss of sales tax revenue assuming the proposed sales tax exemptions applies to local sales taxes.

FISCAL ANALYSIS

ASSUMPTION

§144.014 - Sales Tax on Food

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

State Tax

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 of this proposal is modified to exempt SNAP identified food from the remaining 1.225% state sales tax rate starting August 28, 2026. This proposal leaves the 4.225% rate on foods not identified under the SNAP program.

The Department notes that in FY 2025, food reported \$19,004,106,006 in taxable sales. Therefore, the School District Trust Fund received \$190,041,060, the Conservation Commission Fund received \$23,755,133 and the Park, Soil & Water Funds received \$19,004,106 in state sales 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 2027). Therefore, the elimination of the state sales tax on food effective August 28, 2026 (FY 2027) would result in the following loss.

Estimated Food Tax Loss by Fund

<u>State Fund</u>	<u>FY 2027</u>	<u>FY 2028</u>
Education	(\$142,530,795)	(\$190,041,060)
Conservation	(\$17,816,349)	(\$23,755,133)
DNR	(\$14,253,080)	(\$19,004,106)
Total State Loss	(\$174,600,224)	(\$232,800,299)

This proposal does not impact the collection of the local sales tax on food.

In order to implement this reduction in the state tax the Department will need to modify its sales tax forms (\$2,200), update the department's website and 4 computer sales tax programs (\$7,547 each) for an estimated cost of \$32,388. 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, 2026. 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.

Language Issue

B&P notes that the intent of the language appears to only exempt food from state sales tax; however, the proposed language would still exempt food from the provisions under Chapter 144. Local sales taxes (sections 32.085) are only applied to items that are taxable under Chapter 144. Therefore, it is unclear whether the additional language directing DOR to continue collecting local tax would be effective.

In addition, the proposed language states that the exemption should only apply to sales tax rate(s) applied under Chapter 144. B&P notes that only two sales tax rates (3% general revenue and 1% School District Trust Fund (SDTF)) are levied under Chapter 144. Therefore, if the language directing DOR to continue collecting local sales tax is effective, then this proposal would only exempt food from the 1% SDTF state tax. Leaving the 0.125% conservation and 0.1% DNR constitutional taxes intact.

Therefore, B&P will show the potential impacts from this proposal as \$0 or \$xxx for all taxes except the 1% SDTF tax.

Estimated Impact

In FY25, state sales tax collections on food was \$232,800,299. B&P estimates that approximately \$190,041,060 of those collections were distributed to the School District Trust Fund, \$23,755,133 to Conservation, and \$19,004,106 to the Parks, Soil and Water Funds.

Based on information from DOR, during FY24 \$840,285,857 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, FY25

District	Sales Tax
City	\$432,654,227
City - TIF	\$10,641,000
County	\$318,344,302
CID	\$26,643,990
TDD	\$19,037,216
Ambulance	\$16,524,201
Fire Protection	\$7,177,614
Emergency Services	\$4,585,615
Other Districts	\$4,677,691

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 \$0 (local tax remains) or by \$7,945,918 (local tax eliminated) annually.

B&P estimates that this provision may reduce TSR by \$190,041,060 (only 1% SDTF exempted) or by \$240,746,217 (all state and local taxes exempted) annually. This proposal could also reduce local sales tax collections by \$0 (local tax remains) or by \$840,285,857 (local tax eliminated) annually. Table 2 shows the estimated impact by state and local fund.

Table 2: Estimated Grocery Tax Loss by Fund

State Fund	FY 2027	FY 2028
GR (1% fee)	\$0 or (\$5,959,407)	\$0 or (\$7,945,918)
Education	(\$142,530,795)	(\$190,041,060)
Conservation	\$0 or (\$17,816,349)	\$0 or (\$23,755,133)
DNR	\$0 or (\$14,253,080)	\$0 or (\$19,004,106)
Total State Loss	(\$142,530,795) or (\$180,559,631)	(\$190,041,060) or (240,746,217)

Table 2 Continued: Estimated Grocery Tax Loss by Fund

Local Funds	FY 2027	FY 2028
City	\$0 or (\$324,490,671)	\$0 or (\$432,654,227)
City - TIF	\$0 or (\$7,980,750)	\$0 or (\$10,641,000)
County	\$0 or (\$238,758,227)	\$0 or (\$318,344,302)
CID	\$0 or (\$19,982,993)	\$0 or (\$26,643,990)
TDD	\$0 or (\$14,277,912)	\$0 or (\$19,037,216)
Ambulance	\$0 or (\$12,393,151)	\$0 or (\$16,524,201)
Fire	\$0 or (\$5,383,210)	\$0 or (\$7,177,614)
Emergency	\$0 or (\$3,439,211)	\$0 or (\$4,585,615)
Other	\$0 or (\$3,508,269)	\$0 or (\$4,677,691)
Total Local Loss	\$0 or (\$630,214,392)	\$0 or (\$840,285,857)

Oversight notes officials from the Office of Administration - Budget and Planning (B&P) assume the proposed sales tax exemption *may* exempt local sales taxes while officials from the Department of Revenue (DOR) assume the exemption will *not* apply to local taxes. Further, B&P assumes this proposal may not exempt the Conservation and Parks and Soils sales tax on food while DOR assumes it will be exempt. Oversight is unable to determine how the proposed sales tax exemption may apply to local political subdivision and the constitutionally mandated sales tax funds.

Therefore, Oversight will show a potential impact of \$0 (no local impact) to the loss of sales tax revenue estimated to local political subdivisions, constitutionally mandated sales tax funds, and the one percent collection fee to GR estimated by B&P above. If additional information is received, Oversight will review it to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

Officials from the **Missouri Department of Conservation** assumes 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 proposal may decrease the amount of sales tax revenue distributed to this fund. Therefore, Oversight will show B&P's range of estimates for MDC's funds.

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 proposal may decrease the amount of sales tax revenue distributed to this fund. Therefore, Oversight will show B&P's range of estimates for MDC's funds.

Officials from the **Pilot Grove C-4 School District** assume the proposal would cause a negative impact to the Pilot Grove C-4 School District totaling \$34,728. A cut in funding of that amount would require the district to cut staffing by 1 classroom teacher.

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

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. 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. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (9 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Potential Revenue Loss – DOR</u> (\$144.014) Sales tax exemption for food, 1% collection fee p.4-6	\$0 or (\$5,959,407)	\$0 or (\$7,945,918)	\$0 or (\$7,945,918)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 or (\$5,959,407)	\$0 or (\$7,945,918)	\$0 or (\$7,945,918)
SCHOOL DISTRICT TRUST FUND (1688)			
<u>Revenue Loss – DOR</u> (\$144.014) Sales tax exemption for food p.4-6	(\$142,530,795)	(\$190,041,060)	(\$190,041,060)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND (1688)	(\$142,530,795)	(\$190,041,060)	(\$190,041,060)

<u>FISCAL IMPACT – State Government</u>	FY 2027 (9 Mo.)	FY 2028	FY 2029
CONSERVATION COMMISSION FUND (1609)			
<u>Revenue Loss – DOR (§144.014) Sales tax exemption for food p.4-6</u>	\$0 or <u>(\$17,816,349)</u>	\$0 or <u>(\$23,755,133)</u>	\$0 or <u>(\$23,755,133)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND (1609)	\$0 or <u>(\$17,816,349)</u>	\$0 or <u>(\$23,755,133)</u>	\$0 or <u>(\$23,755,133)</u>
PARKS AND SOILS STATE SALES TAX FUNDS (1613 & 1614)			
<u>Revenue Loss – DOR (§144.014) Sales tax exemption for food p.4-6</u>	\$0 or <u>(\$14,253,080)</u>	\$0 or <u>(\$19,004,106)</u>	\$0 or <u>(\$19,004,106)</u>
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS (1613 & 1614)	\$0 or <u>(\$14,253,080)</u>	\$0 or <u>(\$19,004,106)</u>	\$0 or <u>(\$19,004,106)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (9 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Potential Revenue Loss – (§144.014) Sales tax exemption for food p.4-6</u>	\$0 or <u>(\$630,214,392)</u>	\$0 or <u>(\$840,285,857)</u>	\$0 or <u>(\$840,285,857)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 or <u>(\$630,214,392)</u>	\$0 or <u>(\$840,285,857)</u>	\$0 or <u>(\$840,285,857)</u>

FISCAL IMPACT – Small Business

Certain small businesses that sell food, as defined in the proposal, could be impacted by this proposal.

FISCAL DESCRIPTION

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 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
Missouri Department of Conservation
Department of Natural Resources
Pilot Grove C-4 School District
City of Kansas City



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January 28, 2026



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