

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4373-01
BILL NO.: Perfected SB 956
SUBJECT: Revenue Dept.; Taxation and Revenue-Sales and Use; State Departments
TYPE: Original
DATE: April 6, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$4,742,292)	(\$5,861,472)	(\$6,037,317)
Highway	\$13,513,386	\$16,702,543	\$17,203,621
School District Trust	(\$3,218,750)	(\$3,978,375)	(\$4,097,726)
Conservation	(\$402,344)	(\$497,297)	(\$512,216)
Parks and Soil	(\$321,875)	(\$397,837)	(\$409,773)
Total Estimated Net Effect on <u>All</u> State Funds	\$4,828,125	\$5,967,562	\$6,146,589

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	(\$4,828,125)	(\$5,967,562)	(\$6,146,590)

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation includes any department or agency of the state as an exempt entity for sales tax purposes. Certain Conservation Commission, Natural Resources, Corrections and others sales will be exempt.

This proposal would not administratively impact the DOR.

Officials of the **Missouri Department of Conservation (MDC)** state this proposal would not fiscally impact their agency.

Officials of the **Missouri Department of Transportation (MoDOT)** state the proposed legislation provides a sales tax exemption for construction materials for all state agencies.

Estimates are based on the following assumptions: \$550,000,000 of work completed in 1999; 50% of the contracts consists of materials; and, a state sales tax rate of \$0.04225. Based on these figures, MoDOT would experience an annual cost savings of up to \$11,618,750 from the sales tax exemption. However, the savings will only be realized if the vendors' contract prices are lowered by the sales tax amount.

State sales tax funds will lose \$11,618,750 in sales tax revenues that are exempted through this legislation.

According to officials from **Office of Administration-Design and Construction**, \$200 million is spent annually on construction projects, and approximately 50% of that is spent on taxable materials.

Oversight has combined the revenue estimates provided by MoDOT and the Office of Administration to reflect the total revenue impact of this proposal. Oversight assumes there would be annual cost savings from the sales tax exemption due to lower contract prices. A 3% growth rate was assumed.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Savings to General Revenue Fund</u>			
Lower contract prices	\$4,913,958	\$6,073,653	\$6,255,862
<u>Loss to General Revenue Fund</u>			
Sales tax exemption Construction Materials	(\$9,656,250)	(\$11,935,125)	(\$12,293,179)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$4,742,292)</u>	<u>(\$5,861,472)</u>	<u>(\$6,037,317)</u>
HIGHWAY FUND			
<u>Savings to the Highway Fund</u>			
Lower contract prices	\$13,513,386	\$16,702,543	\$17,203,621
SCHOOL DISTRICT TRUST FUND			
<u>Loss to School District Trust Fund</u>			
Sales tax exemption Construction Materials	(\$3,218,750)	(\$3,978,375)	(\$4,097,726)
CONSERVATION FUND			
<u>Loss to Conservation Fund</u>			
Sales tax exemption Construction Materials	(\$402,344)	(\$497,297)	(\$512,216)
PARKS AND SOIL FUND			
<u>Loss to Parks and Soils Fund</u>			
Sales tax exemption Construction Materials	(\$321,875)	(\$397,837)	(\$409,773)

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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>Loss to Cities</u>			
Sales tax exemption Construction Materials	(\$2,896,875)	(\$3,580,537)	(\$3,687,954)
<u>Loss to Counties</u>			
Sales tax exemption Construction Materials	(\$1,931,250)	(\$2,387,025)	(\$2,458,636)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	<u>(\$4,828,125)</u>	<u>(\$5,967,562)</u>	<u>(\$6,146,590)</u>

FISCAL IMPACT - Small Business

Small businesses who sell construction materials would be expected to be fiscally impacted to the extent that they would no longer collect and pay tax on construction materials on state contracts.

DESCRIPTION

This act classifies a department or agency of the state of Missouri as an exempt entity for the purpose of constructing, repairing or remodeling facilities for sales tax purposes.

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
Missouri Department of Transportation
Office of Administration
Missouri Department of Conservation



Jeanne Jarrett, CPA
Director
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