

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0676-01
Bill No.: SB 231
Subject: Taxation and Revenue - Sales and Use; Revenue Dept.; Cities, Towns and Villages
Type: Original
Date: February 2, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$43,047 to Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on <u>All</u> State Funds*	(\$43,047 to UNKNOWN)	\$0 to (UNKNOWN)	\$0 to (UNKNOWN)

*** Subject to voter approval. Lost revenue, if any, could exceed \$100,000.**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government*	\$0 to (UNKNOWN)	\$0 to (UNKNOWN)	\$0 to (UNKNOWN)

*** This proposal if permissive. Voter approval would be required before fiscal impact would be realized.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation would allow local governments to eliminate, by vote of people, the sales tax on food.

ADMINISTRATIVE IMPACT:

DOR would handle the implementation of this legislation through an item record place in the MITS mainframe system. An automated registration program will be needed to register the businesses in the city/county that eliminate the local taxes on food. Special letters and rate cards will need to be sent to the locations passing this law. DOR estimates 1,072 overtime hours will be needed for the mainframe programming that will need to be done to allow for the automated registration and the item tax at a cost of \$36,069. In addition, funding of State Data Center costs of \$6,978 is requested for the additional storage and fields to be captured.

Officials of the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would allow any local government that levies a sales tax on food to eliminate it with voter approval. According to the "Tax Expenditure Report", the loss to state general revenue from the general revenue food exemption is \$241.0 million for tax year 2000 and \$252.0 million for tax year 2001.

This proposal would not impact the Office of Administration.

Oversight assumes this proposal is permissive. Local governing bodies may adopt an ordinance which shall be submitted to the voters within their political subdivisions to exempt qualified sales of food from local sales tax. It is unknown which local governments would adopt such an ordinance and also which ordinances would pass a vote of the people. Oversight assumes the Department of Revenue would have a reduction of income from the loss of the 1 percent collection fee from collecting sales taxes on food on behalf of the cities and counties.

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
	(10 Mo.)		
GENERAL REVENUE FUND			
<u>Loss - Department of Revenue</u>			
Loss of 1% collection fee from sales tax exempted at local level	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost - Department of Revenue</u>			
Programming costs	(\$43,047)	\$0	\$0

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$43,047 to UNKNOWN)</u>	<u>\$0 to (UNKNOWN)</u>	<u>\$0 to (UNKNOWN)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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CITIES AND COUNTIES

<u>Loss</u> - Reduction in sales tax revenue from food	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
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<u>Costs</u> - Local election costs	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
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ESTIMATED NET EFFECT ON CITIES AND COUNTIES	<u>\$0 to (UNKNOWN)</u>	<u>\$0 to (UNKNOWN)</u>	<u>\$0 to (UNKNOWN)</u>
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FISCAL IMPACT - Small Business

Yes on those that have the exemption voted on and passed in their area.

DESCRIPTION

The act authorizes cities and counties that have imposed a sales tax on food to submit the question of the repeal of that tax to the voters.

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
Division of Budget and Planning



Jeanne Jarrett, CPA
Director
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