

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3209-01
Bill No.: SB 733
Subject: Taxation & Revenue-Sales and Use; Entertainment, Sports & Amusement; Health
Type: Original
Date: January 28, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$60,075,000)	(\$78,840,000)	(\$86,190,000)
School District Trust	(\$20,025,000)	(\$26,280,000)	(\$28,730,000)
Conservation	(\$2,503,125)	(\$3,285,000)	(\$3,591,250)
Parks and Soil	(\$2,002,500)	(\$2,628,000)	(\$2,873,000)
Total Estimated Net Effect on All State Funds	(\$84,605,625)	(\$111,033,000)	(\$121,384,250)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	(\$30,037,500)	(\$39,420,000)	(\$43,095,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this bill creates an additional sales tax exemption which will reduce revenue to the state and local government. This legislation would have no administrative impact on DOR.

Officials of the **Office of Administration, Budget and Planning (BAP)** state this proposal provides a sales tax exemption for specified items and services. Using the U.S. Department of Commerce, Bureau of Economic Analysis, BAP estimates the Missouri consumer spending on the categories of items specified in the bill to be \$2.4 billion for FY03 and \$2.6 billion for FY04. BAP assumes that Missouri accounts for 1.8% of the national totals, which is Missouri's share of U.S. Personal Income. BAP assumes the increase in consumer spending for the years 2001-2004 would be approximately the average of the increase for 1999 and 2000.

Officials of the **Missouri Department of Conservation (MDC)** state this proposed legislation would have fiscal impact on MDC funds due to the exemption of sales tax. To date, DOR has been unable to furnish the amount of impact.

Officials from the **City of St. Louis (STL)** assume this legislation proposes to exempt from state and local sales taxes "all sales of tickets, dues, or other fees paid for admission or seating accommodations or membership to any place of amusement, entertainment or recreation, games and athletic events, or health and fitness centers."

The proposed legislation would result in a significant loss of sales taxes to the City of St. Louis. In FY01, the City received nearly \$6.8 million from its 5% entertainment license tax. An estimate for the potential loss of sales taxes can be derived from using this license tax figure as a base and pro-rating the local sales tax rate of 3.391%. (The 3.391% rate includes the local sales tax portion dedicated to the St. Louis Bd. of Education.) The resulting estimates are as follows:

	FY03	FY04	FY05
Baseball	(\$630,000)	(\$2,300,000)	(\$2,300,000)
Football	(\$760,000)	(\$880,000)	(\$880,000)
Hockey	(\$870,000)	(\$1,100,000)	(\$1,100,000)
Other	(\$380,000)	(\$380,000)	(\$380,000)
Estimated			
Total Loss:	(\$2,640,000)	(\$4,660,000)	(\$4,660,000)

STL assumes for FY03 the legislation becomes effective in August, 2002 and thus the impact is for a partial year. For this illustration, no assumptions for inflation are included.

ASSUMPTION (Continued)

Officials from the **City of Kansas City (CKC)** assume this legislation would reduce sales tax revenue seven million to ten million dollars or more. This would be a ten percent reduction in sales tax revenue. The loss of sales tax revenue would significantly impact Kansas City's capital improvement, public mass transportation and fire protection programs.

CKC has a very diverse selection of amusement, entertainment and recreation venues such as the Kansas City Chiefs football, Royals baseball, Wizards and Comets soccer as well as the Knights basketball. The proposed legislation would also exempt other forms of entertainment such as amusement parks, movie theaters, comedy clubs, symphonies and orchestras; plays, musicals and concerts. In addition, there are other forms of entertainment such as bowling alleys, video rental stores, casinos, bars and nightclubs. As for athletic or fitness clubs beside exempting clubs such as Bally's fitness centers and Gold's Gym there are YMCAs, country clubs, golf and tennis clubs, all of these could fall under the proposed legislation. Exempting all of the above places of recreation or entertainment from collecting sales taxes would have significant and adverse implications on sales tax revenue for the City of Kansas City.

Officials from the **Department of Economic Development (DED)** and the **Department of Natural Resources (DNR)** did not respond to our fiscal note request.

Using the information provided by BAP and the U.S. Census Bureau, Statistical Abstract of the United States for 2000, **Oversight** estimates the state and local revenue loss to be \$114.6 million in FY03, \$150.5 million in FY04, and \$164.5 million in FY05.

This legislation would decrease Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<u>Loss to State Funds:</u>			
General Revenue Fund	(\$60,075,000)	(\$78,840,000)	(\$86,190,000)
School District Trust Fund	(\$20,025,000)	(\$26,280,000)	(\$28,730,000)
Conservation Sales Tax Fund	(\$2,503,125)	(\$3,285,000)	(\$3,591,250)
Parks and Soil Sales Tax Fund	<u>(\$2,002,500)</u>	<u>(\$2,628,000)</u>	<u>(\$2,873,000)</u>
ESTIMATED NET EFFECT ON ALL FUNDS	<u>(\$84,605,625)</u>	<u>(\$111,033,000)</u>	<u>(\$121,384,250)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<u>Loss - Cities</u>			
Reduction in sales tax revenue from athletic events, health & fitness centers	(\$18,022,500)	(\$23,652,000)	(\$25,857,000)
<u>Loss - Counties</u>			
Reduction in sales tax revenue from athletic events, health & fitness centers	<u>(\$12,015,000)</u>	<u>(\$15,768,000)</u>	<u>(\$17,238,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	<u>(\$30,037,500)</u>	<u>(\$39,420,000)</u>	<u>(\$43,095,000)</u>

FISCAL IMPACT - Small Business

This proposal would eliminate sales tax on tickets to athletic/entertainment events and on dues to health/fitness centers. While small businesses could benefit from the cost savings, this proposal would not appear to have a substantial impact on small businesses.

DESCRIPTION

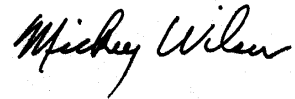
This act exempts from state and local sales taxes all sales of tickets, dues or other fees paid for admission, seating accommodations, or membership to any place of amusement, entertainment or recreation, athletic events, and health and fitness centers.

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
Missouri Department of Conservation
City of St. Louis
City of Kansas City
U.S. Census Bureau
 Statistical Abstract of the United States (2000)

NOT RESPONDING: Department of Economic Development
 Department of Natural Resources



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January 28, 2002