

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5100-01
Bill No.: HB 2250
Subject: Taxation and Revenue - Sales and Use; Education, Elementary and Secondary
Type: Original
Date: March 5, 2008

Bill Summary: Would create a sales tax holiday for retail sales of certain energy efficient products.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on General Revenue Fund	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
Parks, and Soils and Water	(Unknown)	(Unknown)	(Unknown)
School District Trust	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would not result in additional costs or savings to their organization.

The proposal would exempt purchases of "Energy Star" certified appliances from sales tax for the seven day period in November, starting in 2009. Based on Personal Consumption data as provided by the United States Bureau of Economic Analysis, sales of qualifying appliances would be approximately 0.04% of annual retail sales. Gross GR sales tax collections in FY07 were \$1,977.7 million. Therefore, general and total state revenues could be reduced in the following ways, beginning in FY09:

General Revenue	\$791,000
Prop C	\$264,000
Conservation	\$33,000
DNR	<u>\$26,000</u>
Total	<u>\$1,114,000</u>

Officials from the **Department of Elementary and Secondary Education** defer to the Department of Revenue as to the fiscal impact of the proposal.

Officials from the **Department of Conservation** (MDC) assume this proposal would create a sales tax holiday for retail sales of certain energy efficient products. This proposal would have a negative impact on MDC funds since it would create a seven-day sales tax holiday in November for certain energy efficient products. However, MDC is unable to provide an estimated impact and will rely on DOR for the fiscal impact of this legislation.

Officials from the **Department of Natural Resources** (DNR) assume the proposal would establish the "Show-Me Green Tax Holiday Act" which would authorize a state sales and use tax exemption on the purchase of energy efficient products costing \$1,500 or less and purchased for personal use during a seven-day period each November, beginning January 1, 2008.

The DNR Parks and Soils Tax Fund is derived from a one-tenth of one percent sales and use tax. Therefore, any additional sales and use tax exemption would be a loss to the Parks and Sales Tax Fund.

ASSUMPTION (continued)

Officials from the **Department of Revenue** (DOR) assume this proposal would not have a fiscal impact on their organization.

DOR officials provided an estimate of the IT cost to implement the proposal.

The Office of Administration, Information Technology Services Division (ITSD/DOR) estimates that this legislation could be implemented utilizing two FTE existing CIT III for two months at a total cost of \$16,744. ITSD/DOR assumes the IT portion of this proposal could be implemented with existing resources; however, if priorities shift, additional FTE/overtime would be needed.

Oversight has estimated part of the fiscal impact of the proposal as follows. According to information provided by the State Tax Commission, there are an average of 25,500 new homes constructed each year in Missouri. Assuming that each new home would have \$5,000 in new energy-efficient appliances there would be \$127.5 million in taxable sales for an estimated \$7.7 million in sales tax revenues. Weekly sales would be \$2.5 million. The sales tax would be distributed among taxing authorities as follows.

State of Missouri

General Revenue Fund (\$2.5 million x 3%)	\$73,600
School District Trust Fund (\$2.5 million x 1%)	\$24,500
Conservation Commission Fund (\$2.5 million x 1/8%)	\$3,100
Parks, and Soils and Water Fund (\$2.5 million x 1/10%)	\$2,500

Local governments

Local Governments (\$2.5 million x 2%)	\$49,000
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Oversight assumes that sales to other consumers would be several times sales to new home buyers, and that a sales tax holiday would tend to concentrate sales in the tax-free period. Accordingly, Oversight will assume that this proposal would have an unknown fiscal impact, and that impact would exceed \$100,000 for the General Revenue Fund, the School District Trust Fund, and local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
<u>Revenue reduction</u> - Sales tax exemption	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue reduction</u> - Sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PARKS, AND SOILS AND WATER FUNDS			
<u>Revenue reduction</u> - Sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON PARKS, AND SOILS AND WATER FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction</u> - Sales tax exemption	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
LOCAL GOVERNMENTS			
<u>Revenue reduction - Sales tax exemption</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

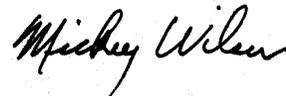
FISCAL DESCRIPTION

This proposal would create a sales tax holiday for retail sales of certain energy efficient products.

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
Division of Budget and Planning
Department of Elementary and Secondary Education
Department of Conservation
Department of Natural Resources
Department of Revenue



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Director
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