

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2099-01
Bill No.: HB 953
Subject: Taxation and Revenue - Sales and Use; Agriculture and Animals
Type: Original
Date: April 13, 2011

Bill Summary: Would change certain provisions relating to sales tax exemptions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 2012	FY 2013	FY 2014
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
Parks, and Soil and Water	(Unknown)	(Unknown)	(Unknown)
School District Trust	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
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 2012	FY 2013	FY 2014
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.

BAP officials stated that this proposal would create sales tax exemptions for any freight charges on any exempt item, any costs for fabrication labor in conjunction with the sale of tangible personal property, any accessories for and upgrades to certain farm machinery and equipment, and for rotary mowers used exclusively for agricultural purposes. This proposal would reduce General and Total State Revenues, including education revenues, and local revenues. BAP does not have the necessary data to provide an estimate.

Officials from the **Department of Conservation** (MDC) assumed that this proposal would have an unknown negative fiscal impact, but greater than \$100,000 to their organization, due to the loss of Conservation Sales Tax revenues.

Officials from the **State Tax Commission** assume this proposal would have no fiscal impact on their organization.

ASSUMPTION (continued)

Officials from the **Department of Natural Resources** (DNR) assume this proposal would authorize state and local sales and use tax exemptions for the sale of any accessories and upgrades to farm machinery and equipment, rotary mowers used exclusively for agricultural purposes, freight charges on exempt items, and any costs for fabrication labor in conjunction with the sale of an item.

DNR officials stated that their Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to the Missouri Constitution. Therefore, any additional sales and use tax exemption would be a loss to the Parks and Soils Sales Tax Funds.

Officials from the **Department of Revenue** (DOR) assume this proposal would add sales and use tax exemptions for:

- * any freight charges on any exempt item, and any costs for fabrication labor in conjunction with the sale of tangible personal property, and
- * any accessories for and upgrades to farm machinery and equipment, and rotary mowers used exclusively for agricultural purposes.

DOR officials stated that in FY 2010, total state and local sales tax revenue was approximately \$4.9 billion dollars; the state portion of those collections was approximately \$2.5 billion. DOR estimates that labor as a percentage of sales price could average 4 percent. If fabrication labor is excluded from the sales and use tax base, it could result in a negative impact on Total State Revenue of approximately \$100 million and a negative impact on the General Revenue Fund of approximately \$70 million. The impact related to the other exemptions proposed in this legislation would be minimal.

DOR officials did not indicate any administrative or IT cost to implement this proposal in their response, and **Oversight** assumes this proposal could be implemented with existing resources.

Officials from **St. Louis County** assume this proposal would have no fiscal impact on their organization.

Officials from the **City of Kansas City** assume this proposal would have a negative fiscal impact on their organization in an indeterminate amount.

ASSUMPTION (continued)

Oversight is not able to determine the revenue reduction which would result from this proposal and will indicate a revenue reduction greater than \$100,000 for the General Revenue Fund and for local governments and an unknown revenue reduction for other state funds which receive sales and use tax revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND			
<u>Revenue reduction - sales tax exemptions</u>	<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 - sales tax exemptions</u>	<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 SOIL AND WATER FUNDS			
<u>Revenue reduction - sales tax exemptions</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction</u> - sales tax exemptions	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
LOCAL GOVERNMENTS			
<u>Revenue reduction</u> - sales tax exemptions	<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

This proposal would have a direct fiscal impact to small businesses engaged in activities which would be exempted from sales tax.

FISCAL DESCRIPTION

This proposal would change certain provisions relating to sales tax exemptions.

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 Conservation
Department of Natural Resources
Department of Revenue
State Tax Commission
St. Louis County
City of Kansas City



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Director
March 8, 2011