

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0533-01
Bill No.: HB 149
Subject: Taxation and Revenue - Sales and Use; Entertainment, Sports and Amusement;
Parks and Recreation
Type: Original
Date: February 25, 2013

Bill Summary: Would create a state and local sales and use tax exemption for all fees paid to any place of amusement, entertainment, or recreation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(\$30,757,404)	(\$36,908,885)	(\$36,908,885)
Total Estimated Net Effect on General Revenue Fund	(\$30,757,404)	(\$36,908,885)	(\$36,908,885)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Conservation Commission	(\$1,281,558)	(\$1,537,870)	(\$1,537,870)
Parks, and Soil and Water	(\$1,025,247)	(\$1,230,296)	(\$1,230,296)
School District Trust	(\$10,252,468)	(\$12,302,962)	(\$12,302,962)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$12,559,273)	(\$15,071,128)	(\$15,071,128)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Local Government	(\$25,631,171)	(\$30,757,405)	(\$30,757,405)

FISCAL ANALYSIS

ASSUMPTION

Section 144.020, RSMo. Sales Tax Exemption on Recreation

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Department of Revenue (DOR)** assume this proposal would exempt amounts paid for admission, seating, accommodations, or fees paid to places of recreation from the state sales tax. Based on taxable sales figures from 2011, DOR officials estimated a reduction in sales tax revenue to the General Revenue Fund of approximately \$22.2 million and a reduction in Total State Revenue of \$31.2 million.

Administrative impact

DOR officials assume Collections and Tax Assistance (CATA) would need to send letters to all "recreation" businesses to determine if they have sales that are still taxable. Also, CATA would see an increase in phone calls, file maintenance, and bond refunds based on this legislation.

ASSUMPTION (continued)

DOR officials assume CATA would require one additional FTE Revenue Processing Technician I (Range 10, Step L) per 24,000 additional contacts annually to the registration section, with CARES equipment and agent license; and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 4,800 additional contacts annually to the tax assistance offices, with CARES equipment and agent license. In addition, the Legal Services Division would require one additional FTE Legal Counsel to cover additional sales tax litigation.

The DOR estimate of fiscal impact for this proposal included three additional employees; with benefits, equipment, and expense, the DOR estimate totaled \$147,618 for FY 214, \$159,096 for FY 215, and \$160,736 for FY 2016.

Oversight notes that DOR officials assumed a similar proposal in a previous session (SB 288 LR 1587-01, 2011) would have no fiscal impact on their organization, and will not include any DOR costs in the fiscal impact for this proposal. Oversight assumes that notification costs to potentially exempt sellers would be provided in regular DOR communications to sales tax licensees.

Officials from the **City of Kansas City** assume that exempting from local sales tax amounts paid for admission or fees to places of recreation would result in the following annual revenue losses to their organization, assuming an effective date for the legislation at the end of August, 2013:

Fiscal year ending April 30, 2014:	\$866,667 revenue loss (8 months loss)
Fiscal year ending April 30, 2015:	\$1,300,000 revenue loss
Fiscal year ending April 30, 2016:	\$1,300,000 revenue loss

Officials from **St. Louis County** assume this proposal would result in a small but unknown loss to their organization.

ASSUMPTION (continued)

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 the proposal would create a state and local sales tax exemption for the amount paid for admission and seating accommodations, or fees paid to, or in, any place of recreation. BAP officials noted that "recreation" is not defined in statute.

BAP officials provided information from the Department of Revenue (DOR) for taxable sales from SIC Code 79, Amusement and Recreation Services, in 2011, and noted that sales taxes may be reduced by the amounts below. BAP officials noted that these sales may include sales of tangible goods, which would not be exempt under this proposal. Also, additional sellers not classified in SIC 79 could also be classified as "recreation", which would increase the revenue loss.

Reported Sales

SIC	DESCRIPTION	SALES TOTAL
791	DANCE HALLS, STUDIOS, AND SCHOOLS	\$4,936,920.82
792	PRODUCERS, ORCHESTRAS, ENTERTAINERS	\$54,026,838.31
793	BOWLING BILLARD ESTABLISHMENTS	\$72,623,115.43
794	COMMERCIAL SPORTS	\$339,909,520.89
798	RIVERBOATS - NO GAMBLING	\$124,954,004.45
799	MISC. AMUSEMENT AND RECREATION	\$633,845,781.00
79	AMUSEMENT/RECREATION SERVICES	<u>\$1,230,296,180.90</u>

Sales Tax Revenue

General Revenue Fund	\$36,908,885
School District Trust Fund	\$12,302,962
Conservation Commission Fund	\$1,537,870
Parks, and Soils and Water Fund	\$1,230,296

ASSUMPTION (continued)

Oversight will use the BAP / DOR estimate of sales tax revenue and will assume that Local governments would have a revenue reduction of $(\$1,230,296,181 \times 2 \frac{1}{2} \% \text{ average rate}) = \$30,757,405$. Oversight calculated the $2 \frac{1}{2} \%$ average local sales tax rate based on DOR reported collections of local sales tax. For fiscal note purposes, Oversight will include losses as follows:

	<u>FY 2014</u> (10 months)	<u>Full year</u>
General Revenue Fund	\$30,757,404	\$36,908,885
School District Trust Fund	\$10,252,468	\$12,302,962
Conservation Commission Fund	\$1,281,558	\$1,537,870
Parks, and Soil and Water Fund	\$1,025,247	\$1,230,296
Local governments	\$25,631,171	\$30,757,405

Officials from the **Office of the Secretary of State** assume this proposal would have no fiscal impact on their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Revenue reduction - DOR</u>			
Sales tax exemption			
Section 144.020	<u>(\$30,757,404)</u>	<u>(\$36,908,885)</u>	<u>(\$36,908,885)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$30,757,404)</u>	<u>(\$36,908,885)</u>	<u>(\$36,908,885)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue reduction - DOR</u>			
Sales tax exemption			
Section 144.020	<u>(\$1,281,558)</u>	<u>(\$1,537,870)</u>	<u>(\$1,537,870)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(\$1,281,558)</u>	<u>(\$1,537,870)</u>	<u>(\$1,537,870)</u>
PARKS, AND SOIL AND WATER FUNDS			
<u>Revenue reduction - DOR</u>			
Sales tax exemption			
Section 144.020	<u>(\$1,025,247)</u>	<u>(\$1,230,296)</u>	<u>(\$12,330,296)</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS	<u>(\$1,025,247)</u>	<u>(\$1,230,296)</u>	<u>(\$12,330,296)</u>

<u>FISCAL IMPACT - State Government</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
<u>(continued)</u>	<u>(10 Mo.)</u>		

SCHOOL DISTRICT TRUST FUND

<u>Revenue reduction - DOR</u>			
Sales tax exemption			
Section 144.020	(\$10,252,468)	(\$12,302,962)	(\$12,302,962)
ESTIMATED NET EFFECT ON			
SCHOOL DISTRICT TRUST FUND	<u>(\$10,252,468)</u>	<u>(\$12,302,962)</u>	<u>(\$12,302,962)</u>

<u>FISCAL IMPACT - Local Government</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
	<u>(10 Mo.)</u>		

LOCAL GOVERNMENTS

<u>Revenue reduction - DOR</u>			
Sales tax exemption			
Section 144.020	(\$25,631,171)	(\$30,757,405)	(\$30,757,405)
ESTIMATED NET EFFECT ON			
LOCAL GOVERNMENTS	<u>(\$25,631,171)</u>	<u>(\$30,757,405)</u>	<u>(\$30,757,405)</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The proposed legislation would create a state and local sales and use tax exemption for all fees paid to any place of amusement, entertainment, or recreation.

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 the Secretary of State
Joint Committee on Administrative Rules
Office of Administration - Division of Budget and Planning
Department of Revenue
St. Louis County
City of Kansas City



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Acting Director
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