

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

**L.R. NO.:** 4361-01  
**BILL NO.:** HB 1960  
**SUBJECT:** Revenue Department; Taxation and Revenue.  
**TYPE:** #Updated  
**DATE:** March 28, 2000  
 #Updated with additional information from the Department of Revenue.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(unknown)	(unknown)	(unknown)
School District Trust	(unknown)	(unknown)	(unknown)
Conservation	(unknown)	(unknown)	(unknown)
Parks and Soil	(unknown)	(unknown)	(unknown)
<b>Total Estimated Net Effect on <u>All</u> State Funds*</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

\* Could exceed \$1,000,000 annually

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses  
 This fiscal note contains 4 pages.

**FISCAL ANALYSIS**

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this proposed legislation will create a sales tax exemption for services, materials and supplies used in the production of printed materials. The DOR assumes there would be no administrative impact to their department from this legislation, however, they believe the broad definition of “printed materials” as used in the proposal could result in a large negative impact to total state revenues. The DOR has assumed this impact is unknown.

#The DOR states that several items included in the proposal including paper and ink are already exempt from sales and use tax. However, they could not provide an itemized estimate of the fiscal impact from the other exempted items in the proposal.

Officials from the **Office of Administration, Budget and Planning** state they have no estimate of how much revenue would be lost to the state as a result of this proposal.

**Oversight** assumes unknown revenue losses from the exemption of services, materials and supplies used in the production of all printed material. While many items are currently tax exempt, the broadening of the exemption could be expected to result in state revenues losses exceeding \$1,000,000 annually.

**This proposal would result in a decrease in Total State Revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2001 (8 Mo.)	FY 2002	FY 2003
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**GENERAL REVENUE FUND**

# <u>Loss</u> - Sales tax revenue from exemption of services, materials, and supplies used in the production of printed materials.	(unknown)	(unknown)	(unknown)
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**SCHOOL DISTRICT TRUST FUND**

# <u>Loss</u> - Sales tax revenue from exemption of services, materials, and supplies used in the production of printed materials.	(unknown)	(unknown)	(unknown)
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**CONSERVATION FUND**

#Loss - Sales tax revenue from exemption of services, materials, and supplies used in the production of printed materials.	(unknown)	(unknown)	(unknown)
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**PARKS AND SOIL FUND**

#Loss - Sales tax revenue from exemption of services, materials, and supplies used in the production of printed materials.	(unknown)	(unknown)	(unknown)
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (8 Mo.)	FY 2002	FY 2003
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#Loss - Sales tax revenue from exemption of services, materials, and supplies used in the production of printed materials.	(unknown)	(unknown)	(unknown)
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FISCAL IMPACT - Small Business

A direct fiscal impact could be expected to those small businesses that sell or use items in the production of printed materials.

DESCRIPTION

This bill exempts from state and local sales and use taxes all services, materials, and supplies used in the production of all printed materials. The exemption will include, but not be limited to color separation, image output, newsprint, paper, ink, computers, photosensitive paper, film, toner, artwork, typography, negatives, printing plates, and all other machinery, equipment, supplies, and replacement parts.

The bill will become effective October 1, 2000.

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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



Jeanne Jarrett, CPA  
Director  
March 28, 2000