

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0657-01
Bill No.: HB 114
Subject: Entertainment, Sports and Amusements; Revenue Dept.; Taxation and Revenue-
 General-Sales and Use
Type: Original
Date: January 25, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(Unknown)	(Unknown)	(Unknown)
School District Trust	(Unknown)	(Unknown)	(Unknown)
Conservation	(Unknown)	(Unknown)	(Unknown)
Parks and Soil	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> State Funds	(expected to exceed \$100,000)	(expected to exceed \$100,000)	(expected to exceed \$100,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this proposal excludes mandatory gratuities incident to the serving of food and drink from the definition of gross receipts. While DOR will do informational notices to all accounts; the postage funding needed for this will be absorbed in the current budget.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the purpose of this proposal is to exempt “mandatory gratuities” charged by restaurants when serving food and drink from sales tax. Based on national personal consumption expenditure data, BAP estimates that consumer spending on “Purchased Meals and Beverages” is \$7,836.8 million in CY 2002, \$8,228.6 million in CY 2003 and \$8,640.0 million in CY 2004.

This assumes that from 1999 onward consumer spending on “Purchased Meals and Beverages” grows 5% per year and that Missouri accounts for 1.9% of the national total. The Missouri share of U.S. personal income is 1.9%.

These spending estimates include tips/gratuities. BAP, however, has no basis for what percent of this spending is for “mandatory gratuities”.

Oversight assumes that if \$7,836.8 million represents purchased meals and beverages including fast-food purchases in Missouri for calendar year 2002, \$100.8 million of this amount would likely approximate total gratuities paid. Of the \$100.8 million, only a fraction would constitute mandatory gratuities. For instance, if 10% of total gratuities were mandatory, \$10 million would become sales tax exempt under this proposal at a sales tax rate of 4.225%. This would equal a state revenue loss of \$425,880. However, since Oversight does not possess data regarding the incidence of mandatory gratuities, revenue losses have been stated as unknown, expected to exceed \$100,000 annually to all affected funds.

This proposal would result in a minimal decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Loss to State Funds:</u>			
General Revenue Fund	(Unknown)	(Unknown)	(Unknown)
School District Trust Fund	(Unknown)	(Unknown)	(Unknown)
Conservation Sales Tax Fund	(Unknown)	(Unknown)	(Unknown)
Parks and Soil Sales Tax Fund	(Unknown)	(Unknown)	(Unknown)

FISCAL IMPACT - Local Government

	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Loss</u> to Political Subdivisions	(Unknown)	(Unknown)	(Unknown)

FISCAL IMPACT - Small Business

Small businesses in the food and drink industry may be minimally impacted from this proposal because of the change in filing and tax payment requirements.

DESCRIPTION

This bill allows charges of mandatory gratuities incident to the serving of food or beverage to be excluded from gross receipts in the calculation of sales and use tax owed by a seller.

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
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