

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0839-01
Bill No.: HB 628
Subject: Revenue Dept.; Taxation and Revenue-General, Sales and Use
Type: Original
Date: February 22, 2001

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|---|----------------------|----------------------|----------------------|
| FUND AFFECTED | FY 2002 | FY 2003 | FY 2004 |
| General Revenue | (\$1,923,736) | (\$2,957,743) | (\$3,031,687) |
| School District Trust | (\$641,245) | (\$985,914) | (\$1,010,562) |
| Conservation | (\$80,156) | (\$123,239) | (\$126,320) |
| Parks and Soil | (\$64,125) | (\$98,591) | (\$101,056) |
| Total Estimated Net Effect on <u>All</u> State Funds | (\$2,709,262) | (\$4,165,487) | (\$4,269,625) |

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2002 | FY 2003 | FY 2004 |
| None | | | |
| | | | |
| 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 | (\$961,868) | (\$1,478,872) | (\$1,515,843) |

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

FISCAL ANALYSIS

ASSUMPTION

In response to similar legislation, officials of the **Department of Revenue (DOR)** stated the proposal would exempt the sale of coffins, caskets, burial cases and burial vaults from sales and use taxes.

DOR staff assume 80% of all taxable sales by funeral homes and crematories involve sales of the above items. Taxable sales for businesses in the SIC category "726-Funeral Service and Crematories" in FY 98 were \$108,925,594. If it is assumed that 80% of these sales represent these items, the amount of taxable sales that would be exempted in FY 98 would be \$87,140,475. 2.5% inflation is assumed.

Officials of the **Office of Administration - Division of Budget and Planning (BAP)** did not respond to our fiscal note request.

Oversight assumes fiscal impact would not occur until October 1, 2001. This is because the law would go into effect August 28, 2001, and a one month lag is assumed. This would result in eight months of fiscal impact in FY 2002. Estimates are based on 1998 sales data.

This proposal would result in a decrease in Total State Revenues since Sales and Use Tax collections are included in the calculation of Total State Revenue.

| <u>FISCAL IMPACT - State Government</u> | FY 2002 (8 Mo.) | FY 2003 | FY 2004 |
|--|-----------------------------|-----------------------------|-----------------------------|
| <u>Loss - General Revenue Fund</u> | | | |
| Elimination of sales tax on merchandise purchased for burial, funeral or cremation | (\$1,923,736) | (\$2,957,743) | (\$3,031,687) |
| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | <u>(\$1,923,736)</u> | <u>(\$2,957,743)</u> | <u>(\$3,031,687)</u> |
| SCHOOL DISTRICT TRUST FUND | | | |
| <u>Loss - School District Trust Fund</u> | | | |
| Elimination of sales tax on merchandise purchased for burial, funeral or cremation | (\$641,245) | (\$985,914) | (\$1,010,562) |
| ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND | <u>(\$641,245)</u> | <u>(\$985,914)</u> | <u>(\$1,010,562)</u> |

| <u>FISCAL IMPACT - State Government</u> | FY 2002 (8 Mo.) | FY 2003 | FY 2004 |
|--|---------------------------|-----------------------------|-----------------------------|
| CONSERVATION FUND | | | |
| <u>Loss - Conservation Fund</u> | | | |
| Elimination of sales tax on merchandise purchased for burial, funeral or cremation | (\$80,156) | (\$123,239) | (\$126,320) |
| ESTIMATED NET EFFECT ON CONSERVATION FUND | <u>(\$80,156)</u> | <u>(\$123,239)</u> | <u>(\$126,320)</u> |
| PARKS AND SOIL FUNDS | | | |
| <u>Loss - Parks and Soil Funds</u> | | | |
| Elimination of sales tax on merchandise purchased for burial, funeral or cremation | (\$64,125) | (\$98,591) | (\$101,056) |
| ESTIMATED NET EFFECT ON PARKS AND SOIL FUNDS | <u>(\$64,125)</u> | <u>(\$98,591)</u> | <u>(\$101,056)</u> |
| | | | |
| <u>FISCAL IMPACT - Local Government</u> | FY 2002 (10 Mo.) | FY 2003 | FY 2004 |
| <u>Loss to Cities</u> | | | |
| Elimination of sales tax on merchandise purchased for burial, funeral or cremation | (\$577,121) | (\$887,323) | (\$909,506) |
| <u>Loss to Counties</u> | | | |
| Elimination of sales tax on merchandise purchased for burial, funeral or cremation | (\$384,747) | (\$591,549) | (\$606,337) |
| ESTIMATED NET EFFECT ON LOCAL GOVERNMENT | <u>(\$961,868)</u> | <u>(\$1,478,872)</u> | <u>(\$1,515,843)</u> |

FISCAL IMPACT - Small Business

Small businesses who sell coffins, caskets, urns, burial cases, vaults and grave monuments would be expected to be fiscally impacted to the extent they would no longer collect and pay sales tax on these items.

DESCRIPTION

This bill exempts from state and local sales and use taxes all sales of merchandise for use in the final disposition of a dead human body and all sales of merchandise for use in or in connection with a funeral, burial, or cremation service for a dead human body, including coffins, caskets, urns, burial cases, burial vaults, grave monuments, and grave markers.

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

NOT RESPONDING: Office of Administration - Division of Budget and Planning



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Director

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