

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1905-02
Bill No.: HB 818
Subject: Revenue Dept.; Taxation and Revenue-General, Sales and Use
Type: Original
Date: February 23, 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	\$0	\$0	\$0

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 and urns 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 the 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 coffins, caskets and urns	(\$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 coffins, caskets and urns	(\$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
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CONSERVATION FUND

Loss - Conservation Fund

Elimination of sales tax on coffins, caskets and urns	(\$80,156)	(\$123,239)	(\$126,320)
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ESTIMATED NET EFFECT ON CONSERVATION FUND	<u>(\$80,156)</u>	<u>(\$123,239)</u>	<u>(\$126,320)</u>
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PARKS AND SOIL FUNDS

Loss - Parks and Soil Funds

Elimination of sales tax on coffins, caskets and urns	(\$64,125)	(\$98,591)	(\$101,056)
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ESTIMATED NET EFFECT ON PARKS AND SOIL FUNDS	<u>(\$64,125)</u>	<u>(\$98,591)</u>	<u>(\$101,056)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (8 Mo.)	FY 2003	FY 2004
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	\$0	\$0	\$0
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FISCAL IMPACT - Small Business

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

DESCRIPTION

This bill exempts from state sales and use taxes all sales of coffins, caskets, and urns. Local sales taxes will still apply to the sale.

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

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is cursive and somewhat stylized, with the first name "Jeanne" written in a larger, more prominent script than the last name "Jarrett".

Jeanne Jarrett, CPA
Director

February 23, 2001