

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3499-01
Bill No.: HB 1046
Subject: Taxation and Revenue - Sales and Use; Entertainment, Sports and Amusement
Type: Original
Date: February 23, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$55,792) to Unknown	(\$86,095) to Unknown	(\$88,255) to Unknown
Total Estimated Net Effect on General Revenue Fund	(\$55,792) to UNKNOWN	(\$86,095) to UNKNOWN	(\$88,255) to UNKNOWN

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation places an excise tax on adult entertainment and pornography. This legislation will have an impact on the Division Of Taxation.

Under Chapter 144, this new tax may result in an item tax situation on the sales tax return. If this is the case, DOR assumes the Business Tax Section would need one Tax Processing Tech I for every additional 34,000 errors generated, one Office Support Assistant for every 184,000 returns impacted, and one Tax Processing Tech I for every 170,000 returns impacted for processing.

Oversight has, for fiscal note purposes only, changed the starting salary for the three requested positions to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

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

ASSUMPTION (continued)

Officials of the **Secretary of State (SOS)** state this bill creates the Adult Entertainment Tax Act to charge tax on sexually explicit live entertainment, as well as storage and sales of adult entertainment merchandise. The Department of Revenue is charged with enforcement and collection of these provisions. The Department of Revenue may promulgate rules to enact this legislation. These rules may require as many as approximately 24 pages in the Code of State Regulations. These rules would be published in both the Missouri Register and Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in Code. These costs are estimated to be \$1,476. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code of State Regulations is \$27. The actual costs could be more.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials of the **Department of Economic Development (DED)** assume this proposal would place an excise tax on adult entertainment and pornography. DED assumes no impact from this proposal.

Oversight assumes the revenue impact for this legislation is unknown and will reflect the impact as a positive unknown to the General Revenue Fund for all three years.

This legislation will increase Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (6 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Income</u> - General Revenue Fund			
Tax on adult entertainment/pornography	Unknown	Unknown	Unknown
<u>Cost</u> - Dept. of Revenue			
Personal Service (3 FTE)	(\$29,151)	(\$59,760)	(\$61,254)
Fringe Benefits	(\$12,069)	(\$24,741)	(\$25,359)
Expense and Equipment	<u>(\$14,572)</u>	<u>(\$1,594)</u>	<u>(\$1,642)</u>
Total Cost - DOR	<u>(\$55,792)</u>	<u>(\$86,095)</u>	<u>(\$88,255)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$55,792) to UNKNOWN</u>	<u>(\$86,095) to UNKNOWN</u>	<u>(\$88,255) to UNKNOWN</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (6 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal levies a tax upon the sale of certain adult entertainment material sold in the state. The tax will be upon any product or service that includes actual sexually explicit conduct and is regulated by federal law. The tax rate will be 5% of the gross receipts from the sale and will be in addition to any other tax levied.

DESCRIPTION (continued)

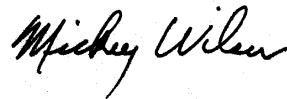
KS:LR:OD (12/02)

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
Department of Economic Development
Secretary of State

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

A handwritten signature in black ink, reading "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 23, 2004