

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3839-03
Bill No.: HCS for HB 1099
Subject: Taxation and Revenue - Sales and Use; Business and Commerce
Type: Original
Date: March 15, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
School District Trust	(Unknown)	(Unknown)	(Unknown)
Conservation	(Unknown)	(Unknown)	(Unknown)
Parks and Soil	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on Other State Funds	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

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

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation expands the exemptions for manufacturing plants allowing for a very broadened description of the exemption. Even though this will allow almost “everything” used by a manufacturer to be exempt, it will have little operational effect on DOR. DOR assumes this legislation is likely to have a significant unknown loss of general revenue due to the expanded exemptions.

Officials of the **Office of Administration, Budget and Planning (BAP)** state this proposal makes technical changes in the sales tax exemption section that deals with exemptions for materials used in manufacturing. BAP defers to DOR for an estimate of the fiscal impact. This proposal would have no impact on BAP.

Officials of the **Department of Natural Resources (DNR)** assume this legislation clarifies what supplies are being used and exempted to include gases and liquids. Since the proposed legislation does not change DNR’s authority, DNR does not anticipate a fiscal impact.

Oversight assumes this legislation will create an unknown loss to all affected funds as a result of this increased sales tax exemption.

This legislation would decrease Total State Revenue.

FISCAL IMPACT - State Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
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GENERAL REVENUE FUND

Loss to General Revenue

Manufacturing & material recovery plant sales tax exemption	(Unknown)	(Unknown)	(Unknown)
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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VARIOUS STATE FUNDS

Loss to State Funds:

School District Trust Fund	(Unknown)	(Unknown)	(Unknown)
Conservation Sales Tax Fund	(Unknown)	(Unknown)	(Unknown)
Parks and Soil Sales Tax Fund	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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FISCAL IMPACT - Local Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
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Loss - Cities

Reduction in sales tax revenue from manufacturing & material recovery plants	(Unknown)	(Unknown)	(Unknown)
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Loss - Counties

Reduction in sales tax revenue from manufacturing & material recovery plants	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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FISCAL IMPACT - Small Business

While manufacturing plants could benefit from the cost savings, this proposal would not appear to have a substantial impact on small businesses.

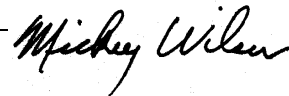
DESCRIPTION

This proposal authorizes a sales/use tax exemption for certain gases, liquids, and solids necessary to effect a manufacturing conversion or material recovery. The bill also allows all entities involved in the manufacturing and material recovery of a product to claim the sales/use tax exemption.

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
Department of Natural Resources



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Director
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