

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0386-01
Bill No.: HB 64
Subject: Business and Commerce; Revenue Dept.; Taxation and Revenue – General;
Taxation and Revenue – Sales and Use
Type: Original
Date: March 2, 2005

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|----------------------|----------------------|----------------------|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| General Revenue | (\$2,703,000) | (\$2,757,060) | (\$2,812,201) |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | (\$2,703,000) | (\$2,757,060) | (\$2,812,201) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|--------------------|--------------------|--------------------|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| Various State Funds | (\$739,500) | (\$754,290) | (\$769,376) |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | (\$739,500) | (\$754,290) | (\$769,376) |

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

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Economic Development, Missouri House of Representatives, Missouri Senate, and State Tax Commission** assume this proposal would have no fiscal impact on their agencies.

Officials with the **Office of Administration–Division of Budget and Planning (BAP)** assume this proposal would result in a reduction in General Revenue and Total State Revenue, but does not make a specific estimate of such a loss. BAP assumes no direct fiscal impact to its agency.

Officials with the **Department of Revenue (DOR)** assume this proposal would require the state to reimburse political subdivisions for revenues lost due to the sales tax holiday. This would create the need for an “item tax” line on the sales tax return only for the month of August. With the new, permanent item tax, DOR would require 3 Tax Processing Technicians I for pre-edit, error corrections, and data entry.

DOR further assumes that notification letters along with long form sales tax returns will have to be mailed to 50,000 taxpayers for a cost of \$19,750. Programming changes to the MITS system (692 hours) would result in a cost of \$23,085.

RK:LR:OD (12/02)

ASSUMPTION (continued)

DOR officials stated that they could not estimated amount of decrease in state revenues.

Oversight assumes that any additional workload created by this legislation could be absorbed by existing or planned resources.

Officials with **Jasper County and the City of Poplar Bluff** assume no fiscal impact as a result of this proposal, due to the “hold harmless” provision of the act. Officials with the **City of Jefferson City** assume, as a result of this proposal, a sales tax loss of \$223,812 per year, to be reimbursed by the state funds.

In the absence of estimated sales tax loss data, **Oversight** reverts back to BAP data provided for a similar previous fiscal note (FN #0345-12 from the 2003 regular session). In it, **Oversight** used BAP data to assume an annual sales tax loss of \$2.5 million per year and \$875,000 to cities and counties. Applying a 2% growth rate to such estimates results in a sales tax loss of \$2.55 million in FY06, \$2.6 million in FY07, and \$2.65 million in FY08 to General Revenue and various state funds. Further assumed is a sales tax loss of \$892,500 in FY06, \$910,350 in FY07, and \$928,557 in FY08 to city and county governments, to be reimbursed by General Revenue.

| <u>FISCAL IMPACT - State Government</u> | FY 2006 | FY 2007 | FY 2008 |
|--|-----------------------------|-----------------------------|-----------------------------|
| GENERAL REVENUE | | | |
| <u>Loss – Sales Tax Revenues</u> | | | |
| Sales Tax Holiday | (\$1,810,500) | (\$1,846,710) | (\$1,883,644) |
| <u>Cost – Reimbursement to Local Govt’s</u> | | | |
| Lost Sales Tax Revenue | <u>(\$892,500)</u> | <u>(\$910,350)</u> | <u>(\$928,557)</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>(\$2,703,000)</u> | <u>(\$2,757,060)</u> | <u>(\$2,812,201)</u> |

| | | | |
|---|---------|---------|---------|
| <u>FISCAL IMPACT - State Government</u> | FY 2006 | FY 2007 | FY 2008 |
|---|---------|---------|---------|

VARIOUS STATE FUNDS

| | | | |
|----------------------------------|-------------|-------------|-------------|
| <u>Loss – Sales Tax Revenues</u> | | | |
| Sales Tax Holiday | (\$739,500) | (\$754,290) | (\$769,376) |

| | | | |
|--|---------------------------|---------------------------|---------------------------|
| ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS | <u>(\$739,500)</u> | <u>(\$754,290)</u> | <u>(\$769,376)</u> |
|--|---------------------------|---------------------------|---------------------------|

| | | | |
|---|---------|---------|---------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2006 | FY 2007 | FY 2008 |
|---|---------|---------|---------|

| | | |
|------------|------------|------------|
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
|------------|------------|------------|

FISCAL IMPACT - Small Business

Small retailers could see an increase in sales during sales tax holiday periods as a result of this proposal.

DESCRIPTION

This bill extends the current state and local sales and use tax holiday for certain clothing, personal computers, and school supplies purchased during a three-day period each August. The ability for local governments to opt out of the holiday is removed. The state will reimburse any losses incurred by political subdivisions during the sales tax holiday.

The Sales Tax Holiday Joint Legislative Committee is created consisting of four members from both the House of Representatives and the Senate. The committee will be responsible for reviewing the effects of the sales tax holiday and issuing a report on its findings and recommendations to the General Assembly prior to January 8 of each year.

The bill contains an emergency clause.

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
 Division of Budget and Planning
Department of Economic Development
Missouri House of Representatives
Missouri Senate
State Tax Commission
City of Jefferson City
City of Poplar Bluff
Jasper County

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

Mickey Wilson, CPA
Director
March 2, 2005