

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0386-03  
Bill No.: HCS for HB 64  
Subject: Business and Commerce; Revenue Dept.; Taxation and Revenue – General;  
Taxation and Revenue – Sales and Use  
Type: Original  
Date: March 17, 2005

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
General Revenue	(\$1,830,250)	(\$1,846,710)	(\$1,883,644)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$1,830,250)</b>	<b>(\$1,846,710)</b>	<b>(\$1,883,644)</b>

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

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

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials with the **Department of Revenue (DOR)** assume this proposal would create a permanent state sales tax holiday by removing the expiration date. DOR assumes that notification letters along with long form sales tax returns would have to be mailed to 50,000 taxpayers at a cost of \$19,750 (\$1,250 for letters and \$18,500 for postage).

DOR officials stated that they could not estimate the amount of decrease in state or local revenues.

Officials with the **City of Columbia** assume potential election costs of at least \$30,000 and/or sales tax revenue losses of \$144,000 in FY06, \$149,040 in FY07, and \$154,256 in FY08. Officials with the **City of Springfield** assume potential election costs of \$50,000 and/or at least \$615,000 per year in decreased sales tax revenue as a result of this proposal. Officials with the **City of West Plains** assume potential election costs of \$5,000 to \$7,000 and/or an unknown decrease in sales tax revenue as a result of this proposal.

Officials with **Greene County** assume potential election costs of \$80,000 and/or an unknown decrease in sales tax revenue as a result of this proposal. Officials with **Jasper County** assume

ASSUMPTION (continued)

potential election costs of \$80,000 as a result of this proposal. Officials with **Laclede County** assume potential election costs of \$26,000 and/or an unknown decrease in sales tax revenue as a result of this proposal.

In the absence of estimated state 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.

**Oversight** assumes this proposal mandates that any local government that passed an ordinance to “opt out” of the 2004 sales tax holiday would remain exempt from it in August 2005 (FY06), unless such an entity passed ordinance to participate. **Oversight** further assumes that all political subdivisions would be required by this proposal to participate in the 2006 sales tax holiday (FY07), unless such a political subdivision submitted to and obtained voter approval for a proposal to allow the sales tax holiday not to apply to their local sales tax.

For purposes of this fiscal note, **Oversight** assumes that local political subdivisions that participated in the 2004 sales tax holiday would experience a loss of sales tax revenue in FY06 for three days on the sales of items exempted by Section 144.049, RSMo. **Oversight** cannot determine the number of political subdivisions that hold an election on a proposal to “opt out” of subsequent sales tax holidays. However, it is assumed that such elections and related costs would take place in FY06.

**Oversight** cannot estimate the number of political subdivisions that would succeed in obtaining voter approval to “opt out” of sales tax holidays in FY07 and beyond. Therefore, the number of localities and amount of sales tax revenue lost in those years as a result of this proposal cannot be determined.

**Oversight** acknowledges that local political subdivisions could see an indirect increase in sales tax revenues as a result of this proposal due to increased retail activity spurred on by the holiday and increased sales of non-exempted items. However, **Oversight** lacks sufficient conclusive data to make credible estimate.

**This proposal could decrease Total State Revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2006	FY 2007	FY 2008
<b>GENERAL REVENUE</b>			
<u>Loss</u> – Sales Tax Revenues			
Sales Tax Holiday	(\$1,810,500)	(\$1,846,710)	(\$1,883,644)
<u>Cost</u> – DOR			
Notification Letters and Postage	<u>(\$19,750)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(\$1,830,250)</u></b>	<b><u>(\$1,846,710)</u></b>	<b><u>(\$1,883,644)</u></b>
<b>VARIOUS STATE FUNDS</b>			
<u>Loss</u> – Sales Tax Revenues			
Sales Tax Holiday	(\$739,500)	(\$754,290)	(\$769,376)
<b>ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS</b>	<b><u>(\$739,500)</u></b>	<b><u>(\$754,290)</u></b>	<b><u>(\$769,376)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2006	FY 2007	FY 2008
<u>Loss</u> – Cities and Counties			
Sales Tax Revenues	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Cost</u> – Cities and Counties			
Election Expenses	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENT</b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>	<b><u>\$0 or (Unknown)</u></b>

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 legislation 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. For the 2005 sales tax holiday, the ability for local governments to opt out of the holiday is limited to those that opted out of the 2004 sales tax holiday. After the 2005 sales tax holiday, voter approval is required for any political subdivision to opt out of the holiday.

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  
City of Columbia  
City of Springfield  
City of West Plains  
Greene County  
Jasper County  
Laclede County



Mickey Wilson, CPA  
Director  
March 17, 2005