

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4162-01
Bill No.: HB 1368
Subject: Revenue Department; Taxation and Revenue
Type: Original
Date: April 4, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund*	(Unknown)	(Unknown)	(Unknown)

* Could exceed \$100,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Various State Funds	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds*	(Unknown)	(Unknown)	(Unknown)

* Could exceed \$100,000

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** state this proposal authorizes an exemption from sales tax for purchases made for fulfilling U.S. Government contracts. DOR assumes there would be no administrative impact to their agency.

DOR states that currently, contractors who purchase clear diesel fuel used for off-road purposes must pay the fuel tax up front and request a refund later. Sales tax is computed on the purchases and is subtracted from their refund amount. This legislation would exempt the purchases from sales tax. DOR cannot determine the amount of sales tax that would be lost due to this exemption. The contractors would need to provide an exemption certificate when applying for a refund.

Officials from the **Office of Administration - Budget and Planning**, the cities of **Mexico, Poplar Bluff** and **St. Robert** and the counties of **Callaway, Clay** and **Pulaski** did not respond to our request for fiscal impact.

Oversight has no empirical basis with which to make an estimate of the lost revenue to the state and local political subdivisions. Therefore, Oversight will assume an 'unknown' loss to the sales tax funds, possibly exceeding \$100,000.

ASSUMPTION (continued)

This proposal could reduce Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE FUND			
<u>Losses</u> – General Revenue			
Sales tax exemption for purchases made to fulfill U.S. Government contract	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

***Could exceed \$100,000**

OTHER STATE FUNDS

<u>Losses</u> - School District Trust Fund			
Sales tax exemption for purchases made to fulfill U.S. Government contract	(Unknown)	(Unknown)	(Unknown)
<u>Losses</u> - Conservation Fund			
Sales tax exemption for purchases made to fulfill U.S. Government contract	(Unknown)	(Unknown)	(Unknown)
<u>Losses</u> - Parks and Soil Funds			
Sales tax exemption for purchases made to fulfill U.S. Government contract	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT TO ALL OTHER STATE FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

***Could exceed \$100,000**

FISCAL IMPACT - Local Government

FY 2007
(10 Mo.)

FY 2008

FY 2009

CITIES AND COUNTIES

Losses – Cities and Counties

Sales tax exemption for purchase made
to fulfill U.S. Government contract

(Unknown)

(Unknown)

(Unknown)

**TOTAL ESTIMATED NET EFFECT
TO CITIES AND COUNTIES**

(Unknown)

(Unknown)

(Unknown)

FISCAL IMPACT - Small Business

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

DESCRIPTION

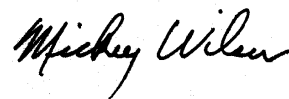
This proposal authorizes an exemption from sales tax on all purchases of tangible personal property, utilities, services, and other transactions made for fulfilling United States government contracts.

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 - Budget and Planning, Cities of Mexico, Poplar Bluff and St. Robert; Counties of Callaway, Clay and Pulaski



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L.R. No. 4162-01
Bill No. HB 1368
Page 5 of 5
April 4, 2006

Director
April 4, 2006

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