

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5522-02
Bill No.: HB 2013
Subject: Children and Minors; Revenue Department; Taxation and Revenue
Type: Original
Date: April 25, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(\$249,582)	(\$299,498)	(\$299,498)
Total Estimated Net Effect on General Revenue Fund	(\$249,582)	(\$299,498)	(\$299,498)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Various State Funds	(\$190,182)	(\$228,218)	(\$228,218)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$190,182)	(\$228,218)	(\$228,218)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 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	(\$310,502)	(\$372,602)	(\$372,602)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** state this proposal has no administrative impact on their agency. There would be an unknown loss of state and local sales tax.

Officials from the **Department of Social Services (DOS)** state there would be minimal financial impact on their agency. If ID cards had to be purchased there would be a cost for the cards. A letter could also be utilized which could serve the same purpose. This would require staff to continually assess whether a foster parent was eligible for the sales tax exemption based on whether a foster child(ren) was currently living in the home. Foster parents are licensed for two-years. Foster parents may have children in their home for a very short time, or longer depending on the child's case plan. There may be times when a foster parent does not have any foster children in the home.

DOS assumes no fiscal impact to Children's Division. The Children's Division defers to Department of Revenue and Office of Administration to calculate the impact to General Revenue.

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning (BAP)** state there should be no added cost to their office as a result of this bill.

BAP states according to information from the Department of Social Services, there are approximately 8,100 children living with foster parents. Eighty-eight percent of the parents receive a professional parenting allowance of \$100 monthly per child. This amounts to \$8,553,600 annually. Assuming the entire amount is spent on clothing purchases, state general revenue generated is: $\$8,553,600 \times 3\% = \$256,608$.

In addition the parents receive a food allowance of \$200 per child per year. Total food allowance is \$1,620,000. Consumption expenditure data indicates that of all food purchases, 61% are spent on food for home consumption and is therefore not subject to state sales taxes. \$631,800 (39%) is subject to state and local taxes. The General Revenue generated is: $\$631,800 \times 3\% = \$18,954$.

Therefore, exempting sales tax on food and clothing purchased for foster children by foster parents would result in a General Revenue loss of \$275,562 ($\$256,608 + \$18,954$).

Oversight states that according to the Department of Social Services, foster parents are paid a monthly maintenance fee depending upon the age of the foster child.

0-5 years	\$227.00
6-12 years	\$277.00
13 and over	\$307.00

If the parents go through the STARS training, they are paid an additional \$100 per month per child on top of the monthly maintenance fees stated above.

In addition, the parents can receive an annual clothing allowance, again based upon the child's age;

0-5 years	\$150.00
6-12 years	\$200.00
13 and over	\$250.00

Oversight inquired if the Department of Social Services could break down the monthly maintenance amount into expenditure types, such as room and board, food, clothing, etc., and DOSS could not provide such a breakdown. Therefore, Oversight researched the average expenditures per child according to the U.S. Census. According to the Statistical Abstract of the United States - 2006, the annual expenditure per child for clothing was roughly \$550 per year. The average expenditure per child for food was \$1,750 per year.

ASSUMPTION (continued)

Utilizing BAP's estimate of 8,100 foster children in Missouri, the sales tax exemption on clothing would result in a loss to the state of \$188,224 ($8,100 \times \$550 \times 4.225\%$) annually.

Utilizing BAP's estimate that 39% of food sales are spent for outside-the-home consumption, this would equate to a loss to the state of \$233,568 ($8,100 \times \$1,750 \times 39\% \times 4.225\%$) annually.

Utilizing BAP's estimate that 61% of food sales are spent for home consumption, this would equate to a loss to the state of \$105,9238 ($8,100 \times \$1,750 \times 61\% \times 1.225\%$) annually. The General Revenue portion of the sales tax on food for home consumption is already not collected.

	Clothing	Food (home)	Food (out)	Total
General Revenue (3%)	\$133,650	\$0	\$165,848	\$299,498
School District Trust Fund (1%)	\$44,550	\$86,468	\$55,283	\$186,301
Soils and Waters (.1%)	\$4,455	\$8,647	\$5,528	\$18,630
Department of Conservation (.125%)	\$5,569	\$10,808	\$6,910	\$23,287
Cities and Counties (2%)	\$89,100	\$172,936	\$110,566	\$372,602

Oversight will assume ten months of fiscal impact in FY 2007.

This proposal will reduce Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
<u>Loss – Sales Tax exemption on food and clothing for foster children</u>	<u>(\$249,582)</u>	<u>(\$299,498)</u>	<u>(\$299,498)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$249,582)</u>	<u>(\$299,498)</u>	<u>(\$299,498)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
OTHER STATE FUNDS			
<u>Loss</u> – School District Trust Fund			
Sales Tax exemption on food and clothing for foster children	(\$155,251)	(\$186,301)	(\$186,301)
<u>Loss</u> – Conservation Fund			
Sales Tax exemption on food and clothing for foster children	(\$19,406)	(\$23,287)	(\$23,287)
<u>Loss</u> – Parks and Soil Fund			
Sales Tax exemption on food and clothing for foster children	(\$15,525)	(\$18,630)	(\$18,630)
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>(\$190,182)</u>	<u>(\$228,218)</u>	<u>(\$228,218)</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2007 (10 Mo.)	 FY 2008	 FY 2009
<u>Loss</u> – Local Sales Tax Revenues			
Sales Tax Exemption on food and clothing for foster children	<u>(\$310,502)</u>	<u>(\$372,602)</u>	<u>(\$372,602)</u>

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 the state and local sales and use tax for food and clothing purchased by foster parents for foster children.

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 Social Services



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Director
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