

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0716-02  
Bill No.: HCS for HB 131  
Subject: Business and Commerce; Revenue Dept.; Taxation and Revenue - Sales and Use  
Type: Original  
Date: February 27, 2007

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Bill Summary: Would provide an exemption from state and local sales and use tax for the costs of utilities, chemicals, machinery and equipment, and materials used to produce a product.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
General Revenue	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>
School District Trust	(Unknown)	(Unknown)	(Unknown)
Conservation	(Unknown)	(Unknown)	(Unknown)
Parks and Soil	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<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 FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Local Government</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

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## **FISCAL ANALYSIS**

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### **ASSUMPTION**

Officials at the **Department of Revenue** (DOR) assume no fiscal impact for their organization for this proposal. DOR officials stated there would be a reduction to General Revenue equal to the amount of tax currently being paid by companies on these purchases. This amount is unknown to DOR.

Officials from the **Department of Conservation** (MDC) state this proposal would appear to have a negative fiscal impact on MDC funds since it appears to exempt utilities, chemicals, and materials used to produce a product from state and local sales and use tax. However, MDC is unable to provide the estimated amount and will rely on DOR for the fiscal impact of this legislation.

Officials from the **Department of Natural Resources** assumed this proposal would authorize an exemption from state and local sales and use tax for the cost of utilities, chemicals, and materials used to produce a product. The Department's Parks and Soils Tax Fund is derived from a one-tenth of one percent sales and use tax pursuant to Section 47(a) of the Missouri Constitution. Therefore, any additional sales and use tax exemption would appear to be a loss to the Parks and Soils Tax Fund. The cost of utilities, chemicals, and materials used to produce a product is unknown; however, the department would not anticipate a significant fiscal impact from this proposal.

Officials from the **University of Missouri Economic Policy and Research Center** stated they were unable to estimate the potential impact of a previous version of this proposal.

**Oversight** assumes there would be a significant but unknown negative fiscal impact from this proposal, and that the state General Revenue Fund, Conservation Commission Fund, Parks and Soils Fund, School District Trust Fund, and local governments would have a reduction in sales tax revenues if the proposal is enacted.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>GENERAL REVENUE FUND</b>			
<u>Loss</u> - General Revenue Fund Sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<b>OTHER STATE FUNDS</b>			
<u>Loss</u> - School District Trust Fund Sales tax exemption	(Unknown)	(Unknown)	(Unknown)
<u>Loss</u> - Conservation Fund Sales tax exemption	(Unknown)	(Unknown)	(Unknown)
<u>Loss</u> - Parks and Soil Fund Sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON ALL OTHER STATE FUNDS</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>LOCAL GOVERNMENT</b>			
<u>Loss</u> - Local Governments Sales tax exemption	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENT</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

### FISCAL IMPACT - Small Business

Businesses that purchase utilities, chemicals, machinery and equipment, and materials to produce a product could be impacted as a result of this proposal.

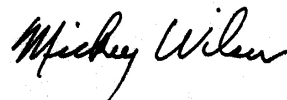
### FISCAL DESCRIPTION

This proposal would provide an exemption from state and local sales and use tax for the costs of utilities, chemicals, machinery and equipment, and materials used to produce a product.

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 Conservation  
Department of Revenue  
Department of Natural Resources  
University of Missouri  
Economic Policy and Research Center



Mickey Wilson, CPA  
Director  
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