

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0724-01
Bill No.: HB 128
Subject: Revenue Dept.; Taxation and Revenue - Sales and Use; Television
Type: Original
Date: March 6, 2007

Bill Summary: Would provide an exemption from local sales tax for television and radio broadcasting equipment.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would provide an exemption from local sales tax for machinery, equipment, materials, supplies and utilities used directly in the installation, construction or operations in radio and television broadcasting. There should be no added cost to the Office of Administration/Budget and Planning as a result of this bill. However, there would be an unknown loss of local revenues.

Officials from the **Department of Conservation** (MDC) assume the proposal legislation would appear to have a negative impact on MDC funds. However, MDC is unable to provide an estimated impact and will rely on DOR for the fiscal impact of this legislation.

Officials from the **Department of Revenue** (DOR) assume this proposal would authorize a sales tax exemption on machinery, equipment, and parts, and the materials, supplies, and utilities required for the installation, construction, or operation of such machinery, equipment, and parts used directly in television and radio broadcasting. Currently, federally mandated equipment purchases are exempted from state and local taxes.

Officials from **St. Louis County** stated that any exemptions to sales tax amount to a loss in revenue for the County. In this case we do not have a good idea of the magnitude because we do not know what percent of county sales falls into this category.

Oversight was unable to gather information directly relevant to the sales tax exemption created by this proposal. However, according to the Statistical Abstract of the United States 2005, the estimated expenses for radio and television broadcasting that were related to machinery, equipment, parts, materials, supplies in 2002 were:

Purchased materials, parts and supplies	\$ 316,000,000
Depreciation	\$3,045,000,000
Lease and Rental	\$ 871,000,000
TOTAL (for United States)	\$4,232,000,000

ASSUMPTION (continued)

Taking 2% of this amount (Missouri's portion) gets an estimated amount of \$84,640,000 of such expenditures in Missouri. Multiplying this amount by an estimated 1.5% local sales tax rate yields a loss of revenue of \$1.27 million annually. Oversight assumes the actual fiscal impact could be larger or smaller since the available information did not segregate expenditures subject to tax, and since federally mandated equipment purchase are currently exempted from tax. Oversight will assume the loss in local tax revenue would exceed \$100,000 per year year.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
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LOCAL GOVERNMENTS

<u>Loss – Cities and Counties</u>			
Sales Tax Exemption	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>

ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
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FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

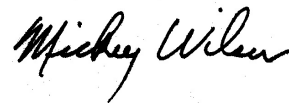
This proposal would provide an exemption from local sales tax for television and radio broadcasting equipment.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Office of Administration
 Division of Budget and Planning
Department of Conservation
Department of Revenue
St. Louis County



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March 6, 2007