

HCS HB 768 -- TAX EXEMPTIONS

SPONSOR: St. Onge

COMMITTEE ACTION: Voted "do pass" by the Committee on Transportation by a vote of 7 to 1.

This substitute changes the laws regarding tax exemptions. In its main provisions, the substitute:

- (1) Authorizes a sales tax exemption on materials purchased by contractors for use in the construction of highways and other Department of Transportation projects;
- (2) Authorizes an exemption from the motor fuel tax for fuel sold to school districts that is used by a bus driven to transport students for educational purposes; and
- (3) Authorizes an exemption from the motor fuel tax for motor fuel sold for use by an interstate transportation authority, a city transit authority, or a city utilities board to operate public mass transportation services.

The Department of Revenue will be required to establish a uniform and simplified rule for all motor fuel tax exemptions. This rule must preempt all similar existing rules, minimize the time between requesting and receiving a refund, and ensure that any document and administrative burdens be kept to a minimum and be shared equitably by the fuel wholesaler or retailer and the tax exempt entity.

FISCAL NOTE: Estimated Cost on General Revenue Fund of \$17,836,500 in FY 2008, \$12,870,000 in FY 2009, and \$9,433,500 in FY 2010. Estimated Income on Other State Funds of \$27,015,500 in FY 2008, \$17,925,000 in FY 2009, and \$12,174,499 in FY 2010.

PROPONENTS: Supporters say that Missouri material suppliers face a 1 1/2 to 4% disadvantage against out-of-state competition due to the differences in local taxes under Missouri laws. Missouri material suppliers pay the local tax rate based on the location from where they ship material. Out-of-state material suppliers are required to pay local tax based on where the materials are received in Missouri. Often no local taxes are paid by out-of-state companies selling materials for Missouri highway projects. Approximately 25% of Missouri's 114 counties and 6% of Missouri's 1,395 cities that have a sales tax have enacted a use tax on purchases from out-of-state vendors. If materials for highway projects are delivered from out-of-state suppliers to a location outside of these local jurisdictions, there is no local tax collected but an instate supplier has to pay an additional 7.225%

or more. Even where counties or cities have enacted use taxes, the total sales tax rate may be higher than the use tax rate.

Testifying for the bill were Representative Faith; Missouri Chamber of Commerce and Industry; Associated General Contractors of Missouri; Heavy Constructors Association of Greater Kansas City; Department of Transportation; Associated Industries of Missouri; and Missouri Limestone Producers Association.

OPPONENTS: There was no opposition voiced to the committee.