

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3394-01
Bill No.: HB 1437
Subject: Would exempt health club membership fees from sales tax.
Type: Original
Date: January 23, 2008

Bill Summary: Would exempt health club fees from sales tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(\$6,330,000)	(\$6,330,000)	(\$6,330,000)
Total Estimated Net Effect on General Revenue Fund	(\$6,330,000)	(\$6,330,000)	(\$6,330,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
School District Trust	(\$2,110,000)	(\$2,110,000)	(\$2,110,000)
Conservation Commission	(\$263,750)	(\$263,750)	(\$263,750)
Parks, and Soil and Water	(\$211,000)	(\$211,000)	(\$211,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$2,584,750)	(\$2,584,750)	(\$2,584,750)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
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 2009	FY 2010	FY 2011
Local Government	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** assume this proposal would have no fiscal impact on their organization.

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would should not result in additional costs or savings to their organization. BAP officials provided the following estimate of fiscal impact to the state.

According to the 2002 US economic census, establishments primarily engaged in operating fitness and recreational sports facilities featuring exercise and other active physical fitness conditioning or recreational sports activities, such as swimming, handball, or racquet sports had receipts in the amount of \$177 million. Assuming a growth rate of 3% each year, estimated receipts in 2008 would be \$211 million. The total sales tax revenues lost would be:

Tax	Rate	Taxes	Fund
General Sales and Use	3%	\$6,330,000	General Revenue
Education Sales and Use	1%	\$2,110,000	School District Trust
Conservation	0.125%	\$263,750	Conservation Commission
Parks, Soils, and Water	0.1%	\$211,000	Parks (50%) Soil and Water (50%)
Total	4.225%	\$8,914,750	

Officials from the **Department of Conservation** (MDC) assume this proposal would exempt health club membership fees from sales tax. This proposed legislation may have fiscal 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.

ASSUMPTION (continued)

Officials from the **Department of Natural Resources** (DNR) assume this proposal would exempt dues or membership fees paid to any health club, athletic club, exercise club, fitness club, or other similar club or facility from sales and use tax. The Department's Parks and Soils Tax Fund is derived from a one-tenth of one percent sales and use tax. The fiscal impact from the exemption proposed in this bill is unknown but taken in the aggregate with those sales and use tax exemptions in past and future legislative sessions would result in some loss to the Parks and Sales Tax Fund.

Officials from the **City of Centralia** estimated the sales tax loss for their organization as \$980 for FY 2009, \$1,480 for FY 2010, and \$1,480 for FY 2011.

Officials from the **City of Kansas City** assume this proposal would have a negative fiscal impact on their organization but did not provide an estimate of the amount.

Officials from **St. Louis County** stated that they were not able to quantify the direct loss due to the exemption of sales tax on certain fees and dues paid to health and fitness centers because this level of detail is not provided in the sales tax distribution data. However, as the exemption allowances continue to increase, St. Louis County suffers a fiscal impact.

Oversight will assume for the purposes of this fiscal note that the amount of sales tax revenue reductions would be same for FY 2009, FY 2010, and FY 2011, and Oversight assumes that local governments would have sales tax revenue reductions in excess of \$100,000 if this proposal was implemented.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
<u>Revenue reduction</u> - sales tax exemption	<u>(\$6,330,000)</u>	<u>(\$6,330,000)</u>	<u>(\$6,330,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$6,330,000)</u>	<u>(\$6,330,000)</u>	<u>(\$6,330,000)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction</u> - sales tax exemption	<u>(\$2,110,000)</u>	<u>(\$2,110,000)</u>	<u>(\$2,110,000)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(\$2,110,000)</u>	<u>(\$2,110,000)</u>	<u>(\$2,110,000)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue reduction</u> - sales tax exemption	<u>(\$263,750)</u>	<u>(\$263,750)</u>	<u>(\$263,750)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(\$263,750)</u>	<u>(\$263,750)</u>	<u>(\$263,750)</u>
PARKS, AND SOIL AND WATER FUNDS			
<u>Revenue reduction</u> - sales tax exemption	<u>(\$211,000)</u>	<u>(\$211,000)</u>	<u>(\$211,000)</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS	<u>(\$211,000)</u>	<u>(\$211,000)</u>	<u>(\$211,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
LOCAL GOVERNMENTS			
<u>Revenue reduction</u> - sales tax exemption	<u>(More than</u> <u>\$100,000)</u>	<u>(More than</u> <u>\$100,000)</u>	<u>(More than</u> <u>\$100,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(More than</u> <u>\$100,000)</u>	<u>(More than</u> <u>\$100,000)</u>	<u>(More than</u> <u>\$100,000)</u>

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact on small businesses which operate health and fitness facilities.

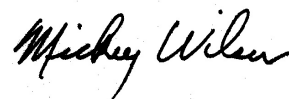
FISCAL DESCRIPTION

This proposal would exempt health club membership fees from sales tax.

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

Office of Administration
Division of Budget and Planning
Department of Conservation
Department of Natural Resources
Department of Revenue
St. Louis County
City of Centralia
City of Kansas City



Mickey Wilson, CPA
Director

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