

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4182-01  
Bill No.: HB 1598  
Subject: Drugs and Controlled Substances; Revenue Dept.; Taxation and Revenue - Sales and Use  
Type: Original  
Date: January 23, 2008

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Bill Summary: Would exempt sales of over-the-counter or nonprescription drugs from sales tax.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
General Revenue	(\$8,007,000)	(\$8,013,000)	(\$8,019,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$8,007,000)</b>	<b>(\$8,013,000)</b>	<b>(\$8,019,000)</b>

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	(\$2,669,000)	(\$2,671,000)	(\$2,673,000)
Conservation Commission	(\$334,000)	(\$334,000)	(\$334,000)
Parks, and Soil and Water	(\$267,000)	(\$267,000)	(\$267,000)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$3,270,000)</b>	<b>(\$3,272,000)</b>	<b>(\$3,274,000)</b>

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
<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>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
<b>Local Government</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Revenue**, and the **Department of Insurance, Financial Institutions, and Professional Registration, Division of Professional Registration**, on behalf of the **Board of Pharmacy** assume this proposal would have no fiscal impact on their organization.

Officials from the **Office of Administration, Division of Budget and Planning** did not respond to our request for information.

**Oversight** has obtained estimated annual nonprescription drug sales from industry reports; US sales were \$14.1 billion for 2004, \$15 billion for 2005, and \$15.4 billion for 2006. Sales increased an average of 0.7% per year over the most recent five years. Assuming that Missouri represents approximately 1.7% of national sales and that average annual sales increased at the same rate for 2007, 2008, and 2009, Missouri sales would be as follows:

2006 estimated US sales \$15.4 billion x 100.07% = \$15.5 billion estimated 2007 US sales  
2007 estimated US sales \$15.5 billion x 100.07% = \$15.6 billion estimated 2008 US sales  
2008 estimated US sales \$15.6 billion x 100.07% = \$15.7 billion estimated 2009 US sales

Estimated 2009 Missouri sales = \$15.7 billion x 1.7% =	\$266,900,000
Estimated 2010 Missouri sales = \$266.9 million x 100.07% =	\$267,100,000
Estimated 2011 Missouri sales = \$267.1 million x 100.07% =	\$267,300,000

Estimated sales tax revenue reductions for state funds would be as follows.

ASSUMPTION (continued)

Tax	Rate	2009 Taxes	2010 Taxes	2011 Taxes	Fund
General Sales and Use	3%	\$8,007,000	\$8,013,000	\$8,019,000	General Revenue
Education Sales and Use	1%	\$2,669,000	\$2,671,000	\$2,673,000	School District Trust
Conservation	0.125%	\$334,000	\$334,000	\$334,000	Conservation Commission
Parks, Soils, and Water	0.1%	\$267,000	\$267,000	\$267,000	Parks (50%) Soil and Water (50%)
Total	4.225%	\$11,277,000	\$11,285,000	\$11,293,000	

Oversight assumes that local governments would have sales tax revenue reductions in excess of \$100,000 per year if this proposal was implemented.

**This proposal could reduce total state revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction</u> - sales tax exemption	<u>(\$8,007,000)</u>	<u>(\$8,013,000)</u>	<u>(\$8,019,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$8,007,000)</u></b>	<b><u>(\$8,013,000)</u></b>	<b><u>(\$8,019,000)</u></b>
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Revenue reduction</u> - sales tax exemption	<u>(\$2,669,000)</u>	<u>(\$2,671,000)</u>	<u>(\$2,673,000)</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b><u>(\$2,669,000)</u></b>	<b><u>(\$2,671,000)</u></b>	<b><u>(\$2,673,000)</u></b>
<b>CONSERVATION COMMISSION FUND</b>			
<u>Revenue reduction</u> - sales tax exemption	<u>(\$334,000)</u>	<u>(\$334,000)</u>	<u>(\$334,000)</u>
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b><u>(\$334,000)</u></b>	<b><u>(\$334,000)</u></b>	<b><u>(\$334,000)</u></b>
<b>PARKS, AND SOIL AND WATER FUNDS</b>			
<u>Revenue reduction</u> - sales tax exemption	<u>(\$267,000)</u>	<u>(\$267,000)</u>	<u>(\$267,000)</u>
<b>ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS</b>	<b><u>(\$267,000)</u></b>	<b><u>(\$267,000)</u></b>	<b><u>(\$267,000)</u></b>

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

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

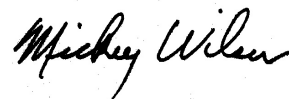
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue  
Department of Insurance, Financial Institutions,  
and Professional Registration  
Division of Professional Registration,  
on behalf of the Board of Pharmacy

NOT RESPONDING

**Office of Administration**  
**Division of Budget and Planning**



Mickey Wilson, CPA  
Director

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