

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4322-01
Bill No.: HB 2405
Subject: Revenue Dept.; Taxation and Revenue - Sales and Use; Television
Type: Original
Date: April 16, 2008

Bill Summary: Would provide a sales tax holiday for purchases of digital televisions and converter boxes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(Less than \$165,250)	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	(Less than \$165,250)	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Conservation Commission	(Less than \$100,000)	\$0	\$0
Parks, and Soils and Water	(Less than \$100,000)	\$0	\$0
School District Trust	(Less than \$100,000)	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(Less than \$400,000)	\$0	\$0

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	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would create no additional cost to their organization as a result of this proposal. BAP officials stated that this proposal would create a state (but not local) one-time sales tax holiday for purchases of digital televisions and converter boxes. This proposal would reduce general and total state revenues and certain dedicated funds by an unknown amount.

Officials from the **Department of Conservation** (MDC) assume this proposal would have a negative impact on MDC funds, since it would exempt from sales and use tax all sales of digital televisions and digital-to-analog converter boxes from November 27 to December 7. MDC is unable to provide an estimated amount of impact and will rely on DOR for the fiscal impact of this proposal.

Officials from the **Department of Revenue** (DOR) assume this proposal would exempt from state sales and use tax, all retail sales of any digital television and any digital-to-analog converter box. The exemption provided in this section would apply only to such sales occurring during the period beginning at 12:01 a.m. on November 27, 2008, and ending at 12:00 a.m. on December 7, 2008, and would not apply to any political subdivision's local sales and use tax rates.

DOR officials assume that sales and use tax forms and instruction changes would be required, and MITS system changes would be required. DOR assumes that a mass mailing would be required to notify businesses of the sales tax holiday. DOR officials stated they were unable to make a determination at this time of how many businesses would need to be notified of this holiday, since the proposal could impact every business that sells televisions or converter boxes. DOR officials also assume that no additional FTE would be required to implement this proposal.

ASSUMPTION (continued)

DOR officials provided an estimate of the IT cost to implement this proposal.

The Office of Administration, Information Technology Services Division (ITSD/DOR) assumes the IT portion of this request could be implemented with existing resources; however, if priorities shift, additional FTE/overtime would be needed. ITSD/DOR officials assume this proposal could be implemented utilizing two FTE existing CIT III for 2 months for modifications to MITS at an estimated total cost of \$16,744.

In response to a similar proposal (HCS for HB 2250 LR 5100-02) DOR officials provided an estimated cost of \$65,250 for the mailing to retailers.

Oversight will use the previous DOR estimate of mailing cost for this proposal.

Officials from the **Department of Natural Resources** (DNR) stated that the DNR Parks and Soils Tax Fund is derived from a one-tenth of one percent sales and use tax. The proposed exemption by itself would not be expected to have a significant fiscal impact 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.

Oversight has researched the available information regarding television and converter box purchases. Oversight assumes that the estimated 2.2 million Missouri households would have at least two televisions per household for a total of more than 4.4 million televisions.

A J.D. Power survey recently indicated that 29 percent of U.S. households subscribe to satellite service alone, while 58 percent of households subscribe only to cable. An additional 1 percent of households subscribe to both cable and satellite services, for a total of 88 percent of households with either or both.

Assuming that Missouri households are approximately as likely to have cable or satellite service as the balance of the United States, approximately 88 percent of Missouri households would be using cable or satellite services and would likely not purchase a digital television or signal converter. The cost of digital televisions is likely to decline in the same manner as other technology products, and the cost of digital converter boxes is low. Oversight is not able to estimate a fiscal impact for this proposal and will indicate a loss of revenue less than \$100,000 for each of the state funds that receive sales taxes.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
<u>Cost - Department of Revenue</u>			
Notification to retailers	<u>(\$65,250)</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenue reduction - Digital television sales tax holiday.</u>	<u>(Less than \$100,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Less than \$165,250)</u>	<u>\$0</u>	<u>\$0</u>
CONSERVATION COMMISSION FUND			
<u>Revenue reduction - Digital television sales tax holiday.</u>	<u>(Less than \$100,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Less than \$100,000)</u>	<u>\$0</u>	<u>\$0</u>
PARKS, AND SOILS AND WATER FUNDS			
<u>Revenue reduction - Digital television sales tax holiday.</u>	<u>(Less than \$100,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON PARKS, AND SOILS AND WATER FUNDS	<u>(Less than \$100,000)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction</u> - Digital television sales tax holiday.	<u>(Less than</u> <u>\$100,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Less than</u> <u>\$100,000)</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2009 (10 Mo.)	 FY 2010	 FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

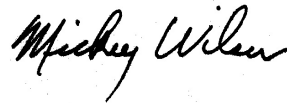
FISCAL DESCRIPTION

This proposal would provide a sales tax holiday for purchases of digital televisions and converter boxes.

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 Revenue
Department of Natural Resources

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 16, 2008