

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2051-03  
Bill No.: HB 977  
Subject: Entertainment, Sports and Amusements; Revenue Dept.; Taxation and Revenue - Sales and Use  
Type: Original  
Date: March 24, 2009

Bill Summary: Would provide a sales tax holiday on specified outdoor sports equipment.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(\$140,830)	(\$140,969)	(\$141,112)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$140,830)</b>	<b>(\$140,969)</b>	<b>(\$141,112)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
School District Trust	(\$45,400)	(\$45,400)	(\$45,400)
Conservation Commission	(\$5,675)	(\$5,675)	(\$5,675)
Parks, and Soils and Waters	(\$4,540)	(\$4,540)	(\$4,540)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$51,075)</b>	<b>(\$51,075)</b>	<b>(\$51,075)</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<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 2010</b>	<b>FY 2011</b>	<b>FY 2012</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 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Local Government</b>	<b>\$0 to (\$113,500)</b>	<b>\$0 to (\$113,500)</b>	<b>\$0 to (\$113,500)</b>

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## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this proposal would not impact DESE or local schools.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume this proposal would not result in additional costs or savings to their organization.

BAP officials stated that this proposal would create a sales tax holiday on sales of qualified outdoor sports equipment on the first Friday in October and ending at midnight on the following Sunday. According to the 2002 US economic census, sporting goods stores in Missouri had annual receipts in the amount of \$449.1 million. Assuming a growth rate of 3% each year, estimated receipts in 2009 would be \$552.3 million. The estimated receipts during the three-day sales tax holiday would be \$4.5 million. Therefore, this proposal may reduce general and total state revenues as shown below.

General Revenue	\$0.17 million
Education	\$0.06 million
Conservation	\$0.01 million
DNR	\$0.01 million
Local (2.5%)	\$0.14 million

ASSUMPTION (continued)

Officials from the **Department of Conservation** (MDC) assume this proposal would have a fiscal impact on MDC funds since it provides a weekend exemption on sales tax for sportsman equipment. MDC staff stated that they would have to study the potential impact of the proposal if it is implemented and the Commission would then decide whether to exempt or to apply the Conservation Sales Tax on eligible items. The exact amount of impact is unknown, but is expected to be approximately \$50,000.

Officials from the **Department of Revenue** (DOR) assume this proposal would create a new sales tax holiday for sportsman equipment during a specified period of time. That sales tax holiday would reduce state revenues.

DOR officials stated that the proposal would create the "Annual Sportsman Sales Tax Holiday Act". Certain "sportsman equipment" such as firearms, hunting, camping, fishing, outdoor nature sports and paddle sports equipment would be exempted from sales tax from 12:01 a.m. on the first Friday of October until midnight on the following Sunday, for years beginning on or after January 1, 2009.

The proposal would allow the Department of Conservation to determine on an annual basis whether the specified items would be subject to the Conservation Sales Tax. The proposal also includes local opt-out provisions, and requires political subdivision to notify the Department of Revenue at least 30 days in advance before the beginning of the holiday as to their status.

DOR officials assume that computer programming would be required to establish a holiday item tax rate for those political subdivisions that opt out, and an annual mailing to approximately 10,000 businesses selling sportsman equipment would be required. Additional programming would be required to opt out the Conservation Sales Tax.

Business Tax assumes that local governments would not participate, which would result in an item tax record added to the return for each impacted reporting location. This would impact at least two different quarterly sales tax reporting periods, and those impacted businesses would revert to Long Form filers eliminating the advantage of short form voucher filers that currently can be processed via automation. Taxation does not anticipate the need for additional staff, although an annual mailing to approximately 10,000 businesses selling sportsman equipment would be required.

ASSUMPTION (continued)

DOR officials provided an estimate of the cost to implement the proposal of \$4,630 for FY 2010, \$4,769 for FY 2011, and \$4,912 for FY 2012 for special notifications to retailers.

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

Officials from the **Office of Administration, Information Technology Services Division** (ITSD/DOR) estimated the IT portion of this request could be implemented using two FTE existing CIT III for two months at a total cost of \$17,764. ITSD/DOR officials assume the proposal could be implemented with existing resources; however, if priorities shift, additional FTE or overtime would be needed.

**Oversight** assumes that ITSD/DOR could implement the proposal with existing resources.

Officials from the **Department of Natural Resources** (DNR) assume this proposal would result in an unknown loss to the Parks and Soils Tax Funds.

**Officials from Linn State Technical College, the Metropolitan Community Colleges, and the City of Centralia** assume this proposal would have no fiscal impact to their organizations.

Officials from **Cass County** assume this proposal would have an impact on their organization but stated that the impact could be positive or negative depending on the effect on spending on items not exempted from sales tax.

**Oversight** has calculated the fiscal impact of this proposal using the BAP estimate of sales and, for fiscal note purposes only, will assume that eligible items would be exempted from the Conservation Sales Tax as well. The proposal would become effective in August 2009 and the first sales tax holiday would be in October and November 2009 (FY 2010). Due to the local government opt-out provision, Oversight will indicate a range from \$0 to the calculated amount for local governments.

ASSUMPTION (continued)

General Revenue Fund	3%	\$136,200
School District Trust Fund	1%	\$45,400
Conservation Commission Fund	1/8%	\$5,675
Parks, and Soil and Water Fund	1/10%	\$4,540
Local Governments	2.5%	\$113,500

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
<b>GENERAL REVENUE FUND</b>			
<u>Cost - Department of Revenue</u>			
Mailing	<u>(\$4,630)</u>	<u>(\$4,769)</u>	<u>(\$4,912)</u>
<u>Revenue reduction - sales tax holiday</u>	<u>(\$136,200)</u>	<u>(\$136,200)</u>	<u>(\$136,200)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$140,830)</u></b>	<b><u>(\$140,969)</u></b>	<b><u>(\$141,112)</u></b>
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Revenue reduction - sales tax holiday</u>	<u>(\$45,400)</u>	<u>(\$45,400)</u>	<u>(\$45,400)</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b><u>(\$45,400)</u></b>	<b><u>(\$45,400)</u></b>	<b><u>(\$45,400)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
<b>CONSERVATION COMMISSION FUND</b>			
<u>Revenue reduction - sales tax holiday</u>	<u>(\$5,675)</u>	<u>(\$5,675)</u>	<u>(\$5,675)</u>
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b><u>(\$5,675)</u></b>	<b><u>(\$5,675)</u></b>	<b><u>(\$5,675)</u></b>
<b>PARKS, AND SOIL AND WATER FUNDS</b>			
<u>Revenue reduction - sales tax holiday</u>	<u>(\$4,540)</u>	<u>(\$4,540)</u>	<u>(\$4,540)</u>
<b>ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS</b>	<b><u>(\$4,540)</u></b>	<b><u>(\$4,540)</u></b>	<b><u>(\$4,540)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
<b>LOCAL GOVERNMENTS</b>			
<u>Revenue reduction - sales tax holiday</u>	<u>\$0 to (\$113,500)</u>	<u>\$0 to (\$113,500)</u>	<u>\$0 to (\$113,500)</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>\$0 to (\$113,500)</u></b>	<b><u>\$0 to (\$113,500)</u></b>	<b><u>\$0 to (\$113,500)</u></b>

FISCAL IMPACT - Small Business

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

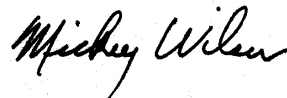
### FISCAL DESCRIPTION

This proposal would provide an annual tax holiday on sales of hunting, fishing, camping, and other specified outdoor sports equipment.

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 the Secretary of State  
Office of Administration  
    Division of Budget and Planning  
Department of Conservation  
Department of Elementary and Secondary Education  
Department of Natural Resources  
Department of Revenue  
Linn State Technical College  
Metropolitan Community Colleges  
Cass County  
City of Centralia



Mickey Wilson, CPA  
Director  
March 24, 2009