

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4052-01  
Bill No.: HB 1165  
Subject: Taxation and Revenue - Sales and Use; Revenue Department; Political Subdivisions  
Type: Original  
Date: January 17, 2014

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Bill Summary: This proposal would add certain graphing calculators to the list of items that are exempted from sales tax during the annual sales tax holiday for school supplies.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
General Revenue	\$0	(Up to \$442,989)	(Up to \$442,989)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>(Up to \$442,989)</b>	<b>(Up to \$442,989)</b>

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

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>
School District Trust	\$0	(Up to \$147,663)	(Up to \$147,663)
Conservation Commission	\$0	(Up to \$18,458)	(Up to \$18,458)
Parks, and Soil and Water	\$0	(Up to \$14,766)	(Up to \$14,766)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>(Up to \$180,887)</b>	<b>(Up to \$180,887)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</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 2015</b>	<b>FY 2016</b>	<b>FY 2017</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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	(Up to \$546,353)	(Up to \$546,353)

### FISCAL ANALYSIS

#### ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office 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 **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

ASSUMPTION (continued)

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

BAP officials assume this proposal could impact the calculation under Article X, Section 18(e).

BAP officials provided an estimate of the potential impact for this proposal, as follows.

This proposal would add graphing calculators valued at \$150 or less to the sales tax holiday in August. According to information supplied to BAP by the Department of Elementary and Secondary Education (DESE), there are 98,442 students enrolled in Pre-Algebra or Algebra I in 2012. BAP officials assume each of these students was a new algebra student that required a new graphing calculator, which would result in  $(98,442 \times \$150) = \$14,766,300$  in purchases.

BAP officials stated they could not determine how many of those purchases would be made in stores vs. by e-commerce, nor does BAP have data to indicate how many of these sales might occur during the holiday. Therefore, BAP officials assume this proposal could reduce revenues as much as shown below.

Potential calculator sales

Algebra students	98,442
Calculator cost	<u>\$150</u>
Potential sales	<u>\$14,766,300</u>

ASSUMPTION (continued)

Potential revenue reduction

Fund	Sales Tax Rate	Estimated Revenue Reduction
General Revenue	3.000%	\$442,989
School District Trust	1.000%	\$147,663
Conservation Commission	0.125%	\$18,458
Parks, and Soil and Water	0.100%	\$14,766

For fiscal note purposes, **Oversight** will indicate a revenue reduction up to the amounts calculated above for these funds. Oversight notes that sales tax revenue in the School District Trust Fund are allocated to Missouri school districts according to a formula in Section 163.087, RSMo. but Oversight will not include those distributions in this fiscal note.

**Oversight** notes that local governments revenues could be reduced as much as  $(\$14,766,300 \times .037) = \$546,353$ . The 3.7 percent average local government sales tax rate was calculated by Oversight based on tax collections reported by the Department of Revenue. Oversight will indicate a revenue reduction up to the amount calculated. Oversight also notes that the proposal would become effective after the sales tax holiday in August of 2014 (FY 2015) so the first impact would be in FY 2016.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction - DOR</u>			
Sales tax exemption		(Up to	(Up to
Section 144.049	<u>\$0</u>	<u>\$442,989)</u>	<u>\$442,989)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>(Up to \$442,989)</u></b>	<b><u>(Up to \$442,989)</u></b>
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Revenue reduction - DOR</u>			
Sales tax exemption		(Up to	(Up to
Section 144.049	<u>\$0</u>	<u>\$147,663)</u>	<u>\$147,663)</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b><u>\$0</u></b>	<b><u>(Up to \$147,663)</u></b>	<b><u>(Up to \$147,663)</u></b>
<b>CONSERVATION COMMISSION FUND</b>			
<u>Revenue reduction - DOR</u>			
Sales tax exemption			
Section 144.049	<u>\$0</u>	<u>(Up to \$18,458)</u>	<u>(Up to \$18,458)</u>
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b><u>\$0</u></b>	<b><u>(Up to \$18,458)</u></b>	<b><u>(Up to \$18,458)</u></b>

FISCAL IMPACT - State Government  
 (continued)

FY 2015 (10 Mo.)	FY 2016	FY 2017
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**PARKS, AND SOIL AND WATER FUNDS**

Revenue reduction - DOR  
 Sales tax exemption  
 Section 144.049

<u>\$0</u>	<u>(Up to \$14,766)</u>	<u>(Up to \$14,766)</u>
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**ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS**

<u><b>\$0</b></u>	<u><b>(Up to \$14,766)</b></u>	<u><b>(Up to \$14,766)</b></u>
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FISCAL IMPACT - Local Government

FY 2015 (10 Mo.)	FY 2016	FY 2017
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**LOCAL GOVERNMENTS**

Revenue reduction - DOR  
 Sales tax exemption  
 Section 144.049

<u>\$0</u>	(Up to <u>\$546,353</u> )	(Up to <u>\$546,353</u> )
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**ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS**

<u><b>\$0</b></u>	(Up to <u><b>\$546,353</b></u> )	(Up to <u><b>\$546,353</b></u> )
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FISCAL IMPACT - Small Business

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

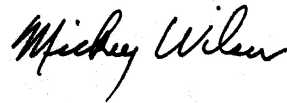
### FISCAL DESCRIPTION

This proposal would add a graphing calculator with a taxable value of \$150 or less to the list of items that are exempt from sales tax during the annual sales tax holiday for school supplies.

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  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Revenue



Mickey Wilson, CPA  
Director  
January 17, 2014

Ross Strobe  
Assistant Director  
January 17, 2014