

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4694-01
Bill No.: HB 1284
Subject: Merchandising Practices; Business and Commerce; Holidays
Type: Original
Date: January 21, 2014

Bill Summary: This proposal would prohibit retail businesses from operating on Thanksgiving, Christmas Day, and Easter Sunday.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
Parks, and Soil and Water	(Unknown)	(Unknown)	(Unknown)
School District Trust	(Unknown)	(Unknown)	(Unknown)
Road	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

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 note this proposal would prohibit any store or shop which sells goods at retail from being open on Thanksgiving, Christmas, or Easter.

ASSUMPTION (continued)

BAP officials estimated the possible impacts based on the estimated sales tax collected on any single day in the calendar year. However, the actual revenue reduction might differ significantly from these estimates for various reasons:

- * It is unclear whether sales would be higher or lower than any calculated one-day average. These days may be popular for shoppers, but many purchases may be discounted.
- * It is unclear if consumers, if not able to shop on these holidays, would wait until the next day to make purchases, or would substitute sales from nearby out-of state stores or e-commerce.
- * It is unclear if retailers would allow any holiday-specific discounts to be claimed on another day instead.

BAP officials provided the following estimate of the potential revenue reduction, based on 2012 data.

2012 Taxable sales including food	\$77,156 million
Number of days in 2012	365
Three days' sales ($\$77,156/365 \times 3$)	\$634 million
Education sales tax ($\$634 \text{ million} \times 1\%$)	\$6.3 million
Conservation sales tax ($\$634 \text{ million} \times 1/8\%$)	\$0.8 million
Parks and soils sales tax ($\$634 \text{ million} \times 1/10\%$)	\$0.6 million
2012 Taxable food sales	\$8,674 million
Taxable sales excluding food	
($\$77,156 \text{ million} - \$8,674 \text{ million}$)	\$68,482 million
Three days' sales ($\$68,482/365 \times 3$)	\$562.9 million
General sales tax ($\$562.9 \text{ million} \times 3\%$)	\$16.9 million

ASSUMPTION (continued)

Officials from the **Department of Revenue** assume this proposal would have no fiscal impact on their organization but note the proposal could reduce sales tax revenues.

Based on \$3.192 billion in state sales and use tax collections for fiscal year 2013, the Department estimated daily sales and use tax collections of \$8.8 million. If all retail establishments were prohibited from opening on Thanksgiving, Christmas Day, and Easter Sunday, the Department estimates that $(3 \times \$8.8 \text{ million}) = \26.4 million in sales tax revenues would be lost.

Oversight notes this proposal would prohibit retail businesses in the state from conducting business on Thanksgiving Day, Christmas Day, and Easter Sunday, and assumes there would be a loss of sales tax revenues if retail businesses in Illinois and Kansas conduct business while retail businesses in the Kansas City and St. Louis areas are required to close. Because some sales could be made the day before or the day after these holidays, Oversight is not able to estimate the amount of sales tax revenues which would be lost, and will indicate unknown sales tax revenue reductions for the General Revenue Fund, other state funds which receive sales tax revenues, and for local governments.

Oversight is aware that School District Trust Fund revenues are distributed to school districts but will not include that distribution in this fiscal note.

Oversight also notes this proposal would appear to prohibit motor fuel sales on the same three holidays which could cause unknown revenue reductions in funds which receive motor fuel taxes.

This proposal would have an impact beginning with Thanksgiving Day in November 2014 (FY 2015). Accordingly, Oversight will indicate an unknown revenue reduction for FY 2015, FY 2016, and FY 2017.

Officials from the **Office of the Secretary of State (SOS)** and the **Joint Committee on Administrative Rules** assume the proposal would have no fiscal impact on their organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Revenue reduction - sales tax</u> Section 407.1425 RSMo.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue reduction - sales tax</u> Section 407.1425 RSMo.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PARKS, AND SOIL AND WATER FUND			
<u>Revenue reduction - sales tax</u> Section 407.1425 RSMo.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction - sales tax</u> Section 407.1425 RSMo.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
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ROAD FUNDS

<u>Revenue reduction</u> - motor fuel tax Section 407.1425 RSMo.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON ROAD FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
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LOCAL GOVERNMENTS

<u>Revenue reduction</u> - sales tax Section 407.1425 RSMo.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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FISCAL IMPACT - Small Business

This proposal could reduce sales for small businesses.

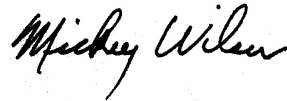
FISCAL DESCRIPTION

This proposal would require stores or shops whose primary purpose is retail sales to close for business on Thanksgiving, Christmas Day, and Easter Sunday.

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

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

Mickey Wilson, CPA
Director
January 21, 2014

Ross Strobe
Assistant Director
January 21, 2014