COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

# FISCAL NOTE

L.R. No.: 5214-01
Bill No.: HB 1477
Subject: Tax Credits; Taxation and Revenue - Income; Revenue Department; Taxation and Revenue - Sales and Use
Type: Original
Date: March 4, 2014

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Bill Summary: This proposal would authorize Missouri to enter into the multistate Streamlined Sales and Use Tax Agreement, eliminate all state tax credits, phase in a flat income tax rate, and increase the sales and use tax by 0.25%.

## FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2015 | FY 2016 | FY 2017 |
| General Revenue | Unknown to (More than $29,600,000) | Unknown to (More than ($924,142,114) | Unknown to (More than $1,309,254,779) |
| | | | |
| **Total Estimated Net Effect on General Revenue Fund** | **Unknown to (More than $29,600,000)** | **Unknown to (More than ($924,142,114)** | **Unknown to (More than $1,309,254,779)** |

* The fully implemented income tax reductions in this proposal for FY 2018 and following years would be ($1,437,885,000).

**Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 34 pages.

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2015 | FY 2016 | FY 2017 |
| Conservation Commission | Unknown to (Unknown) | More than $100,000 to (Unknown) | More than $100,000 to (Unknown) |
| Parks, and Soil and Water | Unknown to (Unknown) | More than $100,000 to (Unknown) | More than $100,000 to (Unknown) |
| School District Trust | Unknown to (Unknown) | More than $100,000 to (Unknown) | More than $100,000 to (Unknown) |
| **Total Estimated Net Effect on Other State Funds** | **Unknown to (Unknown)** | **More than $100,000 to (Unknown)** | **More than $100,000 to (Unknown)** |

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2015 | FY 2016 | FY 2017 |
| | | | |
| | | | |
| **Total Estimated Net Effect on All 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 to (Unknown)** | **More than $100,000 to (Unknown)** | **More than $100,000 to (Unknown)** |

## FISCAL ANALYSIS

ASSUMPTION

Section 32.070, etc., RSMo. - Streamlined Sales Tax:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would make numerous changes to state taxation. BAP officials stated they would provide additional estimates of the impacts of these changes as more information becomes available.

The proposal would direct the Department of Revenue (DOR) to enter into the Streamlined Sales and Use Tax Agreement (SSTA), effective January 1, 2016.

BAP officials noted that remote sellers would be able to remit sales tax under this agreement and estimated this proposal would generate $10 million in total state revenues annually, of which $7 million would be general revenue. However, revenues may be less than this amount during the first year, depending on the administrative issues involved in becoming a full member state of the SSTA.

Additionally, BAP officials noted a recent study provided by the National Conference of State Legislatures (NCSL) which estimated that Missouri could gain $430.2 million in state and local sales tax revenue, if the state adopts the agreement and Congress enacts the Federal Marketplace Fairness Act or similar legislation. Of this amount, $235.3 million would be state revenues, of which $167.1 million would be general revenues.

ASSUMPTION (continued)

BAP officials noted the proposal would create a standard 1% collection fee for local sales taxes collected by DOR. This fee would be deposited in the General Revenue fund to offset DOR costs. To the extent this is a new fee and not just replacing existing fee language, this provision would increase general and Total State Revenues by an unknown amount.

In response to similar language in HB 422 LR 0511-01 (2013) BAP officials cited two studies of the state and local revenues that Missouri might gain from collecting sales tax on e-commerce provide an estimated range of $108 million (Eisanach & Litan, Feb. 2010) and $210 million (Bruce, Fox, & Luna, April 2009). Both studies are limited to the gains from e-commerce, and do not attempt to estimate other remote sales. BAP officials note that remote sellers would be able to remit sales tax under this agreement, and assume this proposal would generate $10 million in total state revenues annually, of which $7 million would be due to the General Revenue Fund.

**Oversight** has reviewed the studies cited by BAP and we noted that there are significant differences between the two studies in the methodology used to estimate the level of internet and other remote sales, the proportion of remote sales which would be taxable, and the current level of compliance with existing tax provisions.

The Bruce, Fox, and Luna report suggests that approximately 25% of sales taxes due on e-commerce are uncollected, and that sales tax collections on e-commerce were $26.1 billion for the year 2010. This rough estimate of the uncollected sales tax would indicate that $8.7 billion was uncollected for the United States. If 1.8% of the $8.7 billion was due the state of Missouri, the additional revenue would amount to $156.6 million. The Eisenach and Litan report suggests only $3.8 billion in uncollected sales tax on e-commerce; 1.8% of that amount attributable to Missouri would be $70.2 million.

Information reported by the United States Census Bureau indicates that online retail sales grew at an average rate of 20% per year for the years 2000 to 2007, with lower growth rates for 2007 to 2009. A report by marketing and information technology consultants Forrester Research projected a 10% annual growth rate for the years 2009 through 2015, with online sales accounting for 11% of total retail sales (excluding groceries) by 2015.

ASSUMPTION (continued)

**Oversight** has recently been provided an estimate of Streamlined Sales Tax Program revenue by officials from the Streamlined Sales Tax Governing Board. That estimate was based on comparing population and per capita income information for Missouri with the same information for states currently participating in the Streamlined Sales Tax program. Based on those calculations, Streamlined Sales Tax Governing Board officials estimated that those Missouri state funds which receive sales tax revenues would collect an additional $13.7 million in the first full year of operation.

Streamlined Sales Tax Governing Board officials stated that the program is currently voluntary; and the member states have agreed to simplify their sales tax programs and contract with third-party transaction processors who collect and remit sales taxes to the member states. Participating multistate retailers agree to collect and remit sales taxes to member states, typically in exchange for an amnesty on prior uncollected sales and use taxes.

**Oversight** assumes the Governing Board estimate is the most reasonable estimate of potential additional revenue under the current voluntary program. Additional revenue could become available in the future if the United States government approves law changes to make state sales tax laws enforceable on interstate sales.

The $13.7 million in additional collected would be due to the following state funds, and **Oversight** has also provided an estimate of additional revenues to local governments.

| Entity | Tax Rate | |
|---|---|---|
| General Revenue Fund | 3.000% | $9,738,000 |
| School District Trust Fund | 1.000% | $3,246,000 |
| Conservation Commission Fund | 0.125% | $405,800 |
| Parks, and Soils Fund | 0.100% | $324,600 |
| Local Governments * | Average 3.700% | $12,010,297 |
| Total | NA | $25,724,697 |

* The average rate for local sales and use tax is calculated based on tax revenues reported by the Department of Revenue for the year ended June 30, 2013.

ASSUMPTION (continued)

In response to similar language in HB 253 LR 0619-01 (2013), officials from the **Department of Revenue (DOR)** assumed this section and related sections would implement the Streamlined Sales and Use Tax Agreement Act in Missouri. The Director of the Department of Revenue (Director) would enter into the streamlined sales and use tax agreement (SSUTA) with one or more states to simplify and modernize sales and use tax administration.

The Director would work with other member states to establish standards for service providers and multi-state sellers. The state would have three delegates to the governing authority - one appointed by the governor, one a member of the general assembly, and the Director or designee as the third.

Fiscal impact

DOR officials stated that once fully implemented, the Streamlined Sales and Use Tax Agreement should increase sales tax collections and Total State Revenue by approximately $5 million in its first year and $10 million each subsequent year thereafter.

IT impact

**Oversight** notes the Department of Revenue response to this proposal did not separately identify the IT cost of these provisions. In response to similar language in HB 500, LR 1114-01 (2013), DOR officials assumed that Department and ITSD-DOR would need to make programming changes to various tax systems, and provided an estimate of the IT cost to implement the proposal of $109,066 based on 4,032 hours of programming to make changes to DOR systems.

Administrative impact

**Oversight** notes the Department of Revenue response to the proposal did not separately identify the administrative cost in terms of personnel, equipment, and expense. In response to similar language in HB 500, LR 1114-01 (2013), DOR officials assumed that two additional Revenue Processing Technicians (Range 10, Step L) staff for Excise Tax related to examining refund claims which would need to be reviewed individually. In addition, the response indicated that the Department did not envision an FTE impact for the Sales Tax area, but rule writing would create a significant impact for which DOR would need additional managerial assistance, and included one additional Management Analyst Specialist I (Range 23, Step Q).

ASSUMPTION (continued)

The DOR request, including three additional staff and related benefits, equipment, and expense totaled $136,863 for FY 2014, $145,786 for FY 2015, and $147,293 for FY 2016.

**Oversight** assumes implementing the Streamlined Sales Tax program would be accomplished as part of an ongoing DOR update process and for fiscal note purposes only, will indicate a cost to the General Revenue Fund in excess of $100,000 for FY 2015 and FY 2016. That fiscal impact is intended to include the DOR cost for updating procedures, any additional staffing that would be needed, and the programming that would be required for changes to various DOR systems. Oversight assumes that additional revenues would exceed additional costs by more than $100,000 per year for the General Revenue Fund.

Officials from the **City of Kansas City** assume enactment of the Streamlined Sales Tax provisions in this bill would likely increase Kansas City's sales tax revenues through merchants' collection of sales tax on online and mail order purchases made by city residents. Kansas City is unable to estimate the amount of additional revenue at this time.

For fiscal note purposes, Oversight will indicate additional revenue in excess of $100,000 per year beginning in FY 2015 for those state funds that receive sales tax revenues, and for local governments.

Section 143.011, RSMo. - Flat Income Tax:

Officials from the **University of Missouri - Economic and Policy Analysis Research Center (EPARC)** assume if enacted, this proposal would phase-in a reduced flat income tax by 2017. Specifically, in 2015, the proposal would replace the current individual income tax brackets with a 4.4% flat tax rate on taxable income and reduce the corporate income tax rate to 5%. In 2016, the proposal would reduce the rate on individual taxable income as well as the corporate income tax rate to 4%, and in 2017, the proposal would reduce the rate on individual taxable income to 3.8% and reduce the corporate income tax rate to 3.5%.

The proposal would also enact new personal and dependent exemptions in the following manner:

| | |
|---|---|
| Single/Head of Household/Qualifying Widow or Widower | - $ 5,000 |
| Married Filing Combined or Separately | - $ 5,000 |
| Dependent Exemption | - $ 5,000 |

ASSUMPTION (continued)

The proposal would also recalculate Missouri taxable income for individuals in the following manner:

| | |
|---|---|
| Wages, salaries, tips, etc | (Federal 1040, Line 7) |
| Schedule C Income | (Federal 1040, Line 12) |
| Schedule E Income | (Federal 1040, Line 17) |
| Schedule F Income | (Federal 1040, Line 18) |
| less Health Savings Account Deduction | (Federal 1040, Line 18) |
| less New MO Personal & Dependent Exempt | (Federal 1040, Line 25) |
| | Missouri Taxable Income |

This new Missouri Taxable Income would then be taxed at the corresponding proposed rate.

EPARC officials provided a baseline simulation for individual income taxes based on current provisions and the latest individual income tax data from 2012. EPARC officials noted when tax credit reductions are considered in the simulation, the baseline simulation must be adjusted for the amount of tax credits refunded to taxpayers beyond their gross income tax due in order to estimate the total cost to Net General Revenue.

EPARCC officials reported Baseline details indicating that taxpayers receive a total of $524.024 million in General and Outstate Tax Credits and estimated that of this $524.024 million, $481.171 million was used to reduce taxpayers' Net Tax Due, while the remaining $42.853 million was refunded to taxpayers. EPARC officials used the $42.853 million estimate to determine the adjusted Individual Income Tax Liability, by subtracting this figure from Net Tax Due, $5,109.439 million. Therefore, the Baseline amount for Individual Income Tax Liability is estimated at $5,066.586 million.

ASSUMPTION (continued)

The results from our income tax simulations are shown in the following table:

| Year | Proposed Tax Rate | Individual Income Tax Revenue | Estimated Revenue Reduction |
|---|---|---|---|
| Baseline | NA | $5,066,586,000 | NA |
| 2015 (FY 2016) | 4.4% | $4,404,394,000 | ($662,192,000) |
| 2016 (FY 2017) | 4.0% | $4,003,992,000 | ($1,062,594,000) |
| 2017 (FY 2018) | 3.8% | $3,803,794,000 | ($1,262,792,000) |

| Year | Proposed Corporate Tax Rate | Corporate Income Tax Revenue | Estimated Revenue Reduction |
|---|---|---|---|
| Baseline | 6.25% | $397,939,000 | NA |
| 2015 (FY 2016) | 5.00% | $318,351,000 | ($79,588,000) |
| 2016 (FY 2017) | 4.00% | $254,681,000 | ($143,258,000) |
| 2017 (FY 2018) | 3.50% | $222,846,000 | ($175,093,000) |

Tax Credit Program Elimination

**Oversight** assumes this proposal would prohibit the issuance of tax credits after December 31, 2014 (FY 2015) and would require all credits issued prior to January 1, 2015, to be redeemed by January 1, 2017. Oversight will reflect the savings to the state starting in FY 2016 for the credits no longer being issued. To estimate savings, Oversight will use the five year issue average of each credit. The chart below indicates the impact of the stopping the credits. Additional information on some of the credits is listed below the chart.

ASSUMPTION (continued)

**Table A- Elimination of Tax Credits**

| Program Name | FY 2015 | FY 2016 | FY 2017 |
|---|---|---|---|
| Development | $0 | $3,176,432 | $3,176,432 |
| Affordable Housing | $0 | $6,109,858 | $6,109,858 |
| Neighborhood Assist | $0 | $9,699,804 | $9,699,804 |
| Distressed Area Land | $0 | $0 | $0 |
| MDFB Infrastructure | $0 | $18,770,520 | $18,770,520 |
| MDFB Bond Guarantee | $0 | Unknown | Unknown |
| Build | $0 | $8,918,017 | $8,918,017 |
| Business Facility | $0 | $5,196,663 | $5,196,663 |
| Enterprise Zone | $0 | $0 | $0 |
| Wood Energy | $0 | $0 | $0 |
| Charcoal Producers | $0 | $0 | $0 |
| Low Income Housing | $0 | $157,438,827 | $157,438,827 |
| Community Dev Corp | $0 | $0 | $0 |
| Neighborhood Pres | $0 | $3,425,626 | $3,425,626 |
| Dis Access - SB | $0 | $19,080 | $19,080 |
| CAPCO | $0 | $0 | $0 |
| Rebuild Community | $0 | $1,706,277 | $1,706,277 |
| Transportation Dev | $0 | $0 | $0 |
| Qualified Beef | $0 | $295,616 | $295,616 |
| New Markets | ($25,000,000) | $17,407,186 | $17,407,186 |
| Wine & Grape | $0 | $105,845 | $105,845 |

| | | | |
|---|---|---|---|
| Alternative Fuels | $0 | $0 | $0 |
| Film Production | ($4,500,000) | $4,500,000 | $4,500,000 |
| Guarantee Fee | $0 | $0 | $0 |
| Enhanced Enterprise Zone | $0 | $5,665,033 | $5,665,033 |
| Homestead | (Unknown greater than $100,000) | $0 | $0 |
| Rolling Stock | $0 | $0 | $0 |
| Bank Franchise | $0 | $2,770,124 | $2,770,124 |
| MO Exam Fee | $0 | $6,846,993 | $6,846,993 |
| Family Development Account | $0 | $14,000 | $14,000 |
| Historic Preservation | $0 | $104,031,444 | $104,031,444 |
| Seed Capitol | $0 | $0 | $0 |
| Ag Prod/New Gen | $0 | $4,729,821 | $4,729,821 |
| Family Farm Breeding | $0 | $61,137 | $61,137 |
| Property & Casualty | $0 | $1,402,380 | $1,402,380 |
| Life & Health Insurance | $0 | $10,123,894 | $10,123,894 |
| Health High Risk Pool | $0 | $12,589,350 | $12,589,350 |
| Brownfields | $0 | $15,963,565 | $15,963,565 |
| Small Business Incubators | $0 | $174,452 | $174,452 |
| New Enterprise | $0 | $0 | $0 |
| Quality Jobs | $0 | $26,885,020 | $26,885,020 |
| Youth Opportunities | $0 | $4,773,893 | $4,773,893 |
| Domestic Violence | $0 | $1,048,209 | $1,048,209 |
| Special Needs Adoption | $0 | $1,691,970 | $1,691,970 |

| | | | |
|---|---|---|---|
| Maternity Home | $0 | $1,313,853 | $1,313,853 |
| Surviving Spouse | $0 | $32,024 | $32,024 |
| Residential Treatment | $0 | $0 | $0 |
| Pregnancy Resource | $0 | $1,614,343 | $1,614,343 |
| Food Pantry | $0 | $640,720 | $640,720 |
| Developmental Disability | $0 | $0 | $0 |
| Mo Healthcare | $0 | $0 | $0 |
| Residential Dwelling | $0 | $15,250 | $15,250 |
| Shared Care | $0 | $134,300 | $134,300 |
| Bank S Corp | $0 | $3,306,140 | $3,306,140 |
| **TOTAL** | ($29,600,000) | $442,597,666 | $442,597,666 |

Section 99.1205, RSMo. - Distressed Area Land Assemblage:

**Oversight** notes this credit's authorizations were previously stopped as of August 28, 2013. This credit had an aggregate cap of $95 million with an annual authorization cap of $20 million. This credit has had a five year issue average of $10,439,739 and currently has $48 million remaining to be issued.

Oversight assumes that since this credit's authorization's were previously stopped, the language eliminating the issuance of this credit would not have a fiscal impact.

Section 100.297, RSMo. - MDFB Bond Guarantee:

**Oversight** notes this credit has an aggregate cap of $50 million of which $48,812,870 is still available. These credits are only issued in the event of a Board default. Oversight will show an Unknown savings to the state from these credits not being issued. It is unclear if these credits not being issued would result in additional costs to the state from possible defaults; therefore, Oversight will not reflect any costs from this proposal.

ASSUMPTION (continued)

Sections 135.220 - 135.279, RSMo. - Enterprise Zone:

**Oversight** notes this credits authorizations were previously stopped as of January 1, 2007. This credit did not have an annual cap and the five year issue average was $4,030,670. Oversight assumes that since this credit's authorization's were previously stopped, the language eliminating the issuance of this credit would not have a fiscal impact.

Sections 135.305, RSMo. - Wood Energy:

**Oversight** notes this credit's authorization were previously stopped as of June 30, 2013. This credit did not have an annual cap and its five year issue average was $3,253,294. Oversight assumes that since this credit's authorization's were previously stopped, the language eliminating the issuance of this credit would not have a fiscal impact.

Section 135.313, RSMo. - Charcoal Producers:

**Oversight** notes this credit could be claimed for a period of eight years starting in 1998. The eight year window for applying for the credit ended in 2005. Oversight assumes that since this credit's authorization's were previously stopped, the language eliminating the issuance of this credit would not have a fiscal impact.

Section 135.403, RSMo. - Community Development Corporation:

**Oversight** notes this credit was given a one time allocation of $6 million and all of that money was previously allocated. Oversight assumes that since this credit's authorization's were previously stopped, the language eliminating the issuance of this credit would not have a fiscal impact.

Section 135.503, RSMo. - CAPCO:

**Oversight** notes this credit had a $140 million program cap and the credits were all allocated. Oversight assumes that since this credit's authorization's were previously stopped, the language eliminating the issuance of this credit would not have a fiscal impact.

ASSUMPTION (continued)

Section 135.545, RSMo. - Transportation Development District:

**Oversight** notes this credit had a $10 million annual cap but the program already expired. Oversight assumes that since this credit's authorization's were previously stopped, the language eliminating the issuance of this credit would not have a fiscal impact.

Section 135.680, SMo. - New Markets:

**Oversight** notes this program had a sunset on September 4, 2013. This proposal would remove the sunset language, which would extends the credit and allow for additional credits to be issued. This credit has a $25 million annual cap and the five year issue average is $17,407,186.

Oversight will reflect the loss of revenue to the state in FY 2015, from the removal of the sunset language and extension of the tax credit.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2014 (FY 2015). Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2016. Oversight will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2016.

Section 135.710, RSMo. - Alternative Fuel:

**Oversight** notes this program has a sunset on August 28, 2014. This proposal would remove the sunset language which would extends the credit and allow for additional credits to be issued. This credit had a $1 million annual cap on projects approved prior to January 1, 2012. Therefore, all the credits have been issued.

**Oversight** assumes that since this credit's authorization's were previously stopped due to projects having to be completed prior to January 1, 2012, that removal of the sunset language and extension of this credit would not have a fiscal impact.

ASSUMPTION (continued)

Section 135.750, RSMo. - Film Production:

**Oversight** notes this program had a sunset that caused it to sunset on November 28, 2013. This proposal removes the sunset language which extends the credit and allows for additional credits to be issued. This credit has a $4.5 million annual cap and the five year issue average is $1,822,925. Oversight will reflect the loss of revenue to the state in FY 2015, from the removal of the sunset language and extension of the tax credit.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2014 (FY 2015). Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2016. Oversight will reflect a savings to the state equal to its five year issue average, from the prohibition on the issuance of credits starting FY 2016.

Section 135.766, RSMo. - Guarantee Fee:

**Oversight** notes this proposal allowed authorizations of the credit for only thirty days after the effective date of the act. This credit has expired and all redemptions allowed have occurred. Oversight assumes that since this credit's authorization's were previously stopped, the language eliminating the issuance of this credit would not have a fiscal impact.

Section 137.106, RSMo. - Homestead:

**Oversight** notes this program had a sunset that caused it to sunset on June 28, 2010. This proposal removes the sunset language which extends the credit and allows for additional credits to be issued. This credit did not have a annual cap and there is no recent redemption data available for this credit. Oversight will reflect an Unknown greater than $100,000, loss of revenue to the state in FY 2015, from the removal of the sunset language and extension of the tax credit.

**Oversight** assumes this proposal would prohibit the issuance of any further tax credits under this program after December 31, 2014 (FY 2015). Oversight assumes any income to the state from tax credits not issued and the taxes being collected would begin being collected in FY 2016. Oversight will reflect no impact to the state in FY 2016 and FY 2017.

ASSUMPTION (continued)

Section 137.1018, RSMo. - Rolling Stock:

**Oversight** notes this credit required appropriation by the General Assembly in order for credits to be issued. No appropriation has been made. Oversight assumes that since this credit has never been authorized, the language eliminating the issuance of this credit would not have a fiscal impact.

Section 348.302, RSMo. - Seed Capital:

**Oversight** notes this credit had a $9 million aggregate cap and all the money has been allocated. Additional, all the redemptions have occurred. Oversight assumes that since this credit's authorization's were previously stopped, the language eliminating the issuance of this credit would not have a fiscal impact.

Section 620.650, RSMo. - New Enterprise:

**Oversight** notes this credit had a $20 million aggregate cap and the money has all been allocated. Oversight assumes that since this credit's authorization's were previously stopped, the language eliminating the issuance of this credit would not have a fiscal impact.

Sectioin 135.1150, RSMo. - Residential Treatment Agency and Section 135.1180, RSMo. - Developmental Disability:

**Oversight** notes these credits require payment from the agency equal to the value of the tax credit to be issued before the tax credit can be issued to the taxpayer (known as prepaid credits). Elimination of these credits would not result in a fiscal impact as the credits were only issued if payment were received.

Sections 135.575 and 191.1056, RSMo. - Healthcare Access tax credit and Healthcare Access Fund:

**Oversight** notes this tax credit has a $1 million annual cap but the program has never been implemented. Since this program was not implemented, Oversight assumes this part of the proposal would have no fiscal impact.

ASSUMPTION (continued)

Sections 32.115 - Development, 135.535 - Rebuilding Communities, 135.967 - 135.968 Enhanced Enterprise Zone and 620.1881, RSMO. - Quality Jobs:

**Oversight** notes these four programs were eliminated and replaced with the Missouri Works Program. While Missouri Works was not included in this proposed legislation, Oversight has included the data from these four programs in the calculation of savings (from elimination of the credits) and in the calculations of the redemptions.

Officials from the **Department of Agriculture - Missouri Agricultural and Small Business Development Authority** provided a response that indicated a revenue reduction of $162,500 per year for program fees.

**Oversight** assumes those program fees would be used to administer the program and would have no fiscal impact on the General Revenue Fund. Oversight will not include the fees in this fiscal note.

Officials from the **Department of Economic Development** (**DED**) assume the proposal would eliminate all tax credit programs after December 31, 2014; and any previously issued tax credit could not be redeemed after December 31, 2016. DED officials assume a positive fiscal impact of approximately $500,000,000 over a period of years offset by negative impacts and a decrease in economic activity.

Officials from the **Missouri Development Finance Board** (**MDFB**) assume the effect of this proposal on the Infrastructure tax credit could affect donor behavior, in regards to timing of donations and timing of redemptions. However, it is unknown what this impact may be. As of December 31, 2013, MDFB had $10,613,585 in credits authorized to be issued.

Officials from the **MDFB** stated the Board utilizes the Bond Guarantee tax credits as a part of its bond security for financing the debt on its parking garages. These credits are only issued in the event of a Board default. The elimination of the ability to issue the credits after December 31, 2014, would constitute an immediate default in the security terms of these bonds causing $25,250,000 in authorized credits to be issued immediately upon passage of such legislation.

ASSUMPTION (continued)

However, if the credits are left to stand as is, it is likely they will never be issued and thus never be redeemed due to the fact that the Board intends to pay all debt service obligations as they come due from project operating revenue.

Officials from the **MDFB** stated the Board authorizes a stream of credits to be issued over 15 years and executes a contract with a company that is expanding its facilities and has agreed to create jobs. Currently, the Board has contracted to issue $239.8 million over 15 years. It is the opinion of Board staff that all contractual obligations would need to be upheld regardless of new legislation.

Officials from the **Missouri Housing Development Commission** (**MHDC**) assume that according to the most recent Form 14 the Affordable Housing program has $10 million in outstanding redemptions. It is difficult to estimate with any degree of certainty, the amount of credits that may be redeemed under the proposal. MHDC assumes the authorizations for Affordable Housing tax credit would be $11 million in FY 2015.

Officials from **MHDC** assume that according to the most recent Form 14 the Low Income Housing program has $1 billion in outstanding redemptions. It is difficult to estimate with any degree of certainty, the amount of credits that may be redeemed under the proposal. MHDC assumes the authorizations for this credit will be $19.7 million in FY 2015.

**Oversight** notes that this proposal suggested it was terminating all tax credits; however, Oversight notes the following tax credits were not included in this proposal and therefore the data from these credits is not included in this fiscal note: Missouri Works (including the Community College New Jobs and Job Retention Training), Amateur Sporting Event (both credits), Senior Citizens/Circuit Breaker, Champion for Children, Self Employed Health Insurance, Qualified Research and the Dry Fire Hydrant credits. Since Missouri Works is made up of previously existing tax credits the information for those tax credits was included in the calculations. Those credits are noted above.

ASSUMPTION (continued)

Tax Credit Redemptions

**Oversight** assumes this proposal would require all credits issued prior to January 1, 2015, to be redeemed by January 1, 2017. Oversight has listed in Table B the tax credits programs and the amount of outstanding credits needing to be redeemed. Oversight notes that the outstanding credits to be redeemed below are from the Form 14's that are submitted with each agency's budget. According to the budget instructions each agency is to calculate the amount of credits outstanding taking the amount issued and subtracting the amount redeemed and those credits that may have expired.

Table B Redemption Information on Tax Credits

| Program Name | Current Carry Forward (CF) & Carry Back (CB) Provision | Outstanding per (Form 14) |
|---|---|---|
| Development | CF - 5 years | $5,735,812 |
| Affordable Housing | CF - 10 years | $8,590,856 |
| Neighborhood Assist | CF - 10 years | $13,392,772 |
| Distressed Area Land | CF - 6 years | $12,186,039 |
| MDFB Infrastructure | CF - 5 years | $13,372,922 |
| MDFB Bond Guarantee | CF - 10 years | $0 |
| Build | CF - 10 years | $14,265,783 |
| Business Facility | CF - 5 years | $3,306,169 |
| Enterprise Zone | CF - 15 years | $822,036 |
| Wood Energy | CF - 5 years | N/A |
| Charcoal Producers | CF - 7 years | $498,472 |
| Low Income Housing | CB - 3 years & CF - 5 years | $941,262,133 |
| Community Dev Corp | CF - 10 years | $2,249 |

| | | |
|---|---|---|
| Neighborhood Pres | CF - 10 years | $2,903,344 |
| Dis Access - SB | CF- any subsequent year | $66,722 |
| CAPCO | indefinitely | $1,570,562 |
| Rebuild Community | CF - 5 years | $3,000,417 |
| Transportation Dev | CB - 3 years & CF - 10 years | $1,869,201 |
| Qualified Beef | CB - 3 years & CF - 5 years | $431,095 |
| New Markets | CF - 5 years | $40,744,975 |
| Wine & Grape | Apply for 5 years | $94,186 |
| Alternative Fuels | CF - 2 years | N/A |
| Film Production | CF - 5 years | $119,901 |
| Guarantee Fee | | Not Reported |
| Enhanced Enterprise Zone | CF - 10 years | $6,754,645 |
| Homestead | current year only | $0 |
| Rolling Stock | | $0 |
| Bank Franchise | | $0 |
| MO Exam Fee | CF - 5 years | $5,812,009 |
| Family Development Account | | $0 |
| Historic Preservation | | $76,919,769 |
| Seed Capitol | | Not reported |
| Ag Prod/New Gen | | $15,164,606 |
| Family Farm Breeding | CF - 3 years | $39,293 |
| Property & Casualty | | $0 |
| Life & Health Insurance | | $21,571,431 |
| Health High Risk Pool | until exhausted | $14,551,150 |

| | | |
|---|---|---|
| Brownfields | CF - 20 years | $21,275,617 |
| Small Business Incubators | CF - 5 years | $330,375 |
| New Enterprise | CF- 10 years | $1,012,594 |
| Quality Jobs | | $5,859,527 |
| Youth Opportunities | CF - 5 years | $7,542,146 |
| Domestic Violence | CF - 4 years | $909,186 |
| Special Needs Adoption | CF - 5 years | $1,138,322 |
| Maternity Home | CF - 4 years | $1,458,399 |
| Surviving Spouse | current year only | $0 |
| Residential Treatment | CF- 4 years | $245,686 |
| Pregnancy Resource | CF - 4 years | $1,373,675 |
| Food Pantry | CF - 3 years | $401,400 |
| Developmental Disability | CF - 4 years | $54,473 |
| Mo Healthcare | | $0 |
| Residential Dwelling | | $0 |
| Shared Care | CB - 3 years | $0 |
| Bank S Corp | CF - 5 years | $3,069,611 |
| TOTAL | | $1,249,719,560 |

ASSUMPTION (continued)

**Oversight** notes this proposal states all credits issued before January 1, 2015, must be redeemed before January 1, 2017. Oversight also notes that the balance of $1,249,719,560 is the amount of credits outstanding as of October 1, 2013, when the Form 14's were due. The outstanding balance of credits would increase with the credits issued in FY 2014 and FY 2015; therefore, the outstanding balance is Unknown greater than $1,249,719,560. Oversight assumes that since all outstanding credits must be redeemed if this proposal is implemented, that this proposal will require credits that were previously non-refundable to be refunded. Since it is difficult to determine how many credits would be redeemed in FY 2016 and FY 2017, Oversight will assume the redemption will be Unknown Greater than $624,859,780 (half the outstanding balance) for each FY 2016 and FY 2017.

**Oversight** assumes several agencies have FTE to currently administer tax credits listed in this proposal. Due to the eventual elimination of the tax credits the agencies would no longer need the administrating FTE. The savings from the reduction of FTE is unknown and would occur outside the fiscal note periods.

**Oversight** assumes the many changes to existing programs in this proposal may have a impact on the state. However, Oversight considers this to be indirect impact of the proposals and will not reflect them in the fiscal note.

Bill as a Whole

Officials at the **Joint Committee on Administrative Rules** assume there is no fiscal impact from this proposal.

Officials at the **Department of Economic Development's Division of Workforce Development** assume the fiscal impact is unknown at this time, but it is estimated to be in the millions of dollars based on the number of commitments currently on the books to companies.

Officials at the **St. Louis County** assume a significant potential fiscal impact but it is impossible to quantify.

Officials from the **City of Jefferson City** assume the proposal would hve an unknown fiscal impact on their organization.

ASSUMPTION (continued)

Officials at the **St. Louis County Board of Election Commissioners** assume there is no fiscal impact from this proposal.

Officials from the **Office of the Secretary of State (SOS)** state 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, the SOS also recognizes 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 the office can sustain with the core budget. Therefore, the SOS reserves 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.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Oversight assumptions

**Oversight** notes this proposal would make significant changes to individual income tax provisions in addition to the flat tax rate; further, we note the EPARC simulation addresses the rate changes based on existing provisions and the most recent data from 2012. Oversight does not have information available as to other changes and assumes the other changes could result in an unknown positive or negative impact. Oversight will include an unknown positive or negative impact on individual income tax revenues for the General Revenue Fund.

**Oversight** also notes this proposal would make significant changes to sales tax exemptions including additions and deletions. Oversight does not have information available as to other changes and assumes the other changes could result in an unknown positive or negative impact. Oversight will include an unknown positive or negative impact on sales and use tax revenues for the General Revenue Fund, for other state funds that receive sales tax revenues, and for local governments.

ASSUMPTION (continued)

**Oversight** notes this proposal would increase the General Sales and Use tax rate by one-quarter percent for the General Revenue Fund. Oversight notes that sales and use tax revenues at the current 3% rate were $1,895,024,076 for the year ended June 30, 2013 as reported by the Department of Revenue. Oversight assumes the impact of the rate increase would be computed as ($1,895,024,076/.03x.0025) = $157,918,673. Oversight notes the rate increase would be effective January 1, 2017 (FY 2017) and the General Revenue Fund would likely receive less than one-half this additional revenue due to reporting delays. ($157,918,673/2) = $78,959,336.

**Oversight** will include unknown additional revenue for the General Revenue Fund to reflect the impact of the 1% sales tax collection fee on local sales taxes that are not currently subject to this fee and a corresponding revenue reduction to local governments.

Not responding

Officials from the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information.

Officials from the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.

| FISCAL IMPACT - State Government | FY 2015 (10 Mo.) | FY 2016 | FY 2017 |
|---|---|---|---|
| **GENERAL REVENUE FUND** | | | |
| Additional revenue - DOR<br>Sales tax rate increase<br>Section 144.020 | $0 | $0 | Less than $78,959,336 |
| Additional revenue - DOR<br>1% collection charge | $0 | Unknown | Unknown |
| Revenue increase or reduction - DOR<br>Changes to individual income tax provisions | Unknown to (Unknown) | Unknown to (Unknown) | Unknown to (Unknown) |
| Revenue increase or reduction - DOR<br>Changes to sales tax exemption provisions | Unknown to (Unknown) | Unknown to (Unknown) | Unknown to (Unknown) |
| Additional revenue - DOR<br>Streamlined Sales Tax<br>Section 32.070, etc | $0 | More than $100,000 | More than $100,000 |
| Additional Revenue - elimination of tax credits (Table A) | $0 | $442,597,666 | $442,597,666 |
| Revenue Reduction - extension of the New Markets tax credit<br>Section 135.680 | (Up to $25,000,000) | $0 | $0 |
| Revenue Reduction - extension of Film Production credit<br>Section 135.750 | (Up to $4,500,000) | $0 | $0 |
| Revenue Reduction - extension of the homestead credit<br>Section 137.106 | (Unknown greater than $100,000) | $0 | $0 |

| FISCAL IMPACT - State Government (Continued) | FY 2015 (10 Mo.) | FY 2016 | FY 2017 |
|---|---|---|---|
| Revenue Reduction - DOR<br>Redemption of all outstanding tax credits | $0 | (Unknown greater than $624,859,780) | (Unknown greater than $624,859,780) |
| Revenue reduction - DOR<br>Individual income tax rate changes<br>Section 143.011 * | $0 | ($662,192,000) | ($1,062,594,000) |

* The fully implemented impact of this provision for FY 2018 and following years would be ($1,262,792,000).

| | | | |
|---|---|---|---|
| Revenue reduction - DOR<br>Corporate income tax rate changes<br>Section 143.071 | $0 | ($79,588,000) | ($143,258,000) |

* The fully implemented impact of this provision for FY 2018 and following years would be ($175,093,000).

| | | | |
|---|---|---|---|
| Cost - DOR<br>Streamlined Sales Tax<br>Section 32.070, etc. | $0 | (More than $100,000) | (More than $100,000) |
| **ESTIMATED NET EFFECT ON GENERAL REVENUE FUND** | **Unknown to (More than $29,600,000)** | **Unknown to (More than $924,142,114)** | **Unknown to (More than $1,309,254,779)** |

**Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.**

| FISCAL IMPACT - State Government (Continued) | FY 2015 (10 Mo.) | FY 2016 | FY 2017 |
|---|---|---|---|
| **CONSERVATION COMMISSION FUND** | | | |
| Additional revenue - Streamlined Sales Tax Section 32.070, etc | $0 | More than $100,000 | More than $100,000 |
| Revenue increase or reduction - DOR Changes to sales tax exemption provisions | Unknown to (Unknown) | Unknown to (Unknown) | Unknown to (Unknown) |
| **ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND** | **Unknown to (Unknown)** | **More than $100,000 to (Unknown)** | **More than $100,000 to (Unknown)** |
| **PARKS, AND SOIL AND WATER FUND** | | | |
| Additional revenue - Streamlined Sales Tax Section 32.070, etc | $0 | More than $100,000 | More than $100,000 |
| Revenue increase or reduction - DOR Changes to sales tax exemption provisions | Unknown to (Unknown) | Unknown to (Unknown) | Unknown to (Unknown) |
| **ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND** | **Unknown to (Unknown)** | **More than $100,000 to (Unknown)** | **More than $100,000 to (Unknown)** |

| FISCAL IMPACT - State Government (Continued) | FY 2015 (10 Mo.) | FY 2016 | FY 2017 |
|---|---|---|---|
| **SCHOOL DISTRICT TRUST FUND** | | | |
| Additional revenue - Streamlined Sales Tax Section 32.070, etc. | $0 | More than $100,000 | More than $100,000 |
| Revenue increase or reduction - DOR Changes to sales tax exemption provisions | Unknown to (Unknown) | Unknown to (Unknown) | Unknown to (Unknown) |
| **ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND** | **Unknown to (Unknown)** | **More than $100,000 to (Unknown)** | **More than $100,000 to (Unknown)** |

| FISCAL IMPACT - Local Government | FY 2015 (10 Mo.) | FY 2016 | FY 2017 |
|---|---|---|---|
| **LOCAL GOVERNMENTS** | | | |
| Additional revenue - Streamlined Sales Tax Section 32.070, etc. | $0 | More than $100,000 | More than $100,000 |
| Revenue increase or reduction - DOR Changes to sales tax exemption provisions | Unknown to (Unknown) | Unknown to (Unknown) | Unknown to (Unknown) |
| Revenue reduction - DOR 1% collection charge | $0 | (Unknown) | (Unknown) |
| **ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS** | **Unknown to (Unknown)** | **More than $100,000 to (Unknown)** | **More than $100,000 to (Unknown)** |

FISCAL IMPACT - Small Business

Small businesses that received tax credits would be impacted.

FISCAL DESCRIPTION

This proposal would authorize Missouri to enter into the multistate Streamlined Sales and Use Tax Agreement, eliminate all state tax credits, phase in a flat income tax rate for individuals and corporations, and increase the state sales and use tax by .25%.

Streamlined Sales and Use Tax Agreement

The proposal would require the Director of the Department of Revenue to enter into the Streamlined Sales and Use Tax Agreement.

The proposal would require:

* When a city annexes or detaches property, the city clerk would forward a certified copy of the ordinance to the department director within 10 days of adoption of the ordinance. The tax rate in the added or abolished territory would become effective on the first day of the calendar quarter 120 days after the sellers receive notice of the change.

* When a political subdivision changes the tax rate or the local sales tax boundary, the change would become effective on the first day of the calendar quarter 120 days after the sellers receive notice of the change.

* When specified political subdivisions repeal an existing tax, the repeal would become effective on the first day of the calendar quarter 120 days after notice to sellers.

The proposal would also require the department to establish the necessary rules to implement the compliance provisions of the agreement. The state would be represented as a member of the agreement for amending the agreement by three delegates including a person appointed by the Governor, a member of the General Assembly appointed by mutual consent of the President Pro Tem of the Senate and the Speaker of the House of Representatives, and the department director or his or her designee. The delegates must make an annual report by January 15 on the status of the agreement.

FISCAL DESCRIPTION (continued)

The Department of Revenue could retain 1% of any local sales or use taxes collected, for the cost of collection. The department would perform all functions regarding the administration, collection, enforcement, and operation of all sales taxes. All state and local sales taxes would have the same base, which means that exemptions at the state and local level would be identical.

The proposal would require uniform sourcing rules to determine what tax rates apply to certain transactions.

The Department of Revenue would participate in an on-line registration system to allow sellers to register in this state and other member states. Registration with the central registration system and the collection of sales and use taxes in this state could not be used as a factor in determining whether the seller has nexus with this state for any tax at any time.

The Department of Revenue would create rules and regulations for the remittance of sales and use taxes that allow for payments by all remitters, and requires a seller to submit its sales and use tax returns electronically in a simplified format approved and prescribed by the department.

The Department of Revenue would provide and maintain an electronic database that describes boundary changes for all taxing jurisdictions and the effective dates of the changes for sales and use tax purposes, a database of all sales and use tax rates for all taxing jurisdictions, and a database that assigns each five- and nine-digit zip code to the proper rates and taxing jurisdictions. In addition, the department would complete a taxability matrix and provide reasonable notice of changes in the taxability of products or services listed in the matrix. A seller or certified service provider could be liable for reliance upon erroneous data provided by the department director on tax rates, boundaries, or taxing jurisdiction assignments.

The proposal would authorize a limited amnesty to certain out-of-state sellers with uncollected or unpaid sales or use tax if the seller was not registered in Missouri in the prior 12-month period before the effective date of this state's participation in the streamlined agreement.

The Department of Revenue would provide a monetary allowance under the automated collection system up to 2% of the amount of remittance that sellers and certified service providers are allowed for collecting and remitting the state and local sales taxes. Currently, sellers are allowed to keep 2% for collecting and timely remitting the tax. A seller could not simultaneously receive this monetary allowance and the 2% timely filing deduction.

FISCAL DESCRIPTION (continued)

Elimination of Tax Credits

All current tax credits would be eliminated after December 31, 2014; and any previously issued tax credit could only be redeemed until January 1, 2017.

Flat Income Tax Rate

Beginning January 1, 2015, the proposal would phase in a flat tax rate for individual income tax of 4.4% for tax year 2015, 4% for 2016, and 3.8% for 2017 and all subsequent tax years. The corporate income tax rate would be reduced from 6.25% to 5% for tax year 2015, 4% for tax year 2016, and 3.5% for 2017 and all subsequent tax years.

Individual Income Tax Changes

The Missouri adjusted gross income would be the taxpayer's federal adjusted gross income with the following deductions added: qualified expenses for eligible educators; certain business expenses of reservists, performing artists, and fee-based government officials; moving expenses; self-employment taxes; self-employed SEP, SIMPLE, or qualified retirement plans; health insurance; penalties for the early withdrawal of savings; alimony paid; individual retirement account deductions; student loan interest; tuition and fees; domestic production activities; the amount of any interest on specified governmental obligations; any deduction for specified net operating losses; specified property taxes; and any nonqualified distribution from a qualified tuition savings program.

The proposal would authorize a deduction from Missouri taxable income for capital gains from the sale of a taxpayer's principal residence under specified conditions; the value of any property owned by the taxpayer's employer that was used by the taxpayer for personal use; Social Security benefits; unemployment compensation; workers' compensation; public assistance payments; sick pay; inheritances and gifts; alimony received; employment-related expenses that were not reimbursed by the taxpayer's employer; contributions to a medical or health savings account; contributions to a 529 Plan; Missouri state or local tax refunds, credits, or offsets; interest income from Missouri state and local bonds; 25% of education costs over $250 including clothing for school and school supplies for a home, parochial, private, or public school; a deduction of $5,000 each for the taxpayer, spouse, and dependents to be increased annually based on the federal Consumer Price Index for All Urban Consumers.

FISCAL DESCRIPTION (continued)

Sales and Use Tax Increase

Beginning January 1, 2017, the proposal would increase the state sales and use tax rate by .25% for general revenue.

Sales and Use Tax Changes

The proposal would:

* Repeal the prohibition of a local tourism community enhancement district's board of directors from imposing a sales tax on food, utilities, telephone, and wireless services for sales made on or after January 1, 2015.

* Authorize a state and local sales and use tax exemption for sales of over-the-counter drugs to individuals with disabilities; and all sales of drugs, durable medical equipment, prosthetic devices, and mobility enhancing equipment.

* Revise the list of items exempted from state and local sales and use tax to add all sales of piped natural or artificial gas or other fuels delivered by the seller for domestic use, and to remove all sales of electrical current, natural, artificial or propane gas, wood, coal, or home heating oil. It would also repeal the exemption for all sales of water service for domestic use in the City of St. Louis.

* Authorize a sales tax exemption for all sales of new light aircraft, light aircraft kits, or light aircraft parts or components manufactured or substantially completed within this state when sold by the manufacturer to a qualified purchaser.

* Authorize a sales tax exemption for all sales of computer printouts, computer output on microfilm or microfiche, and computer-assisted photo compositions under specified conditions.

ASSUMPTION (continued)

* Allow a seller to advertise that the required sales tax will be assumed or absorbed into the price of the property sold or the service rendered if the amount of the tax is separately stated on the invoice or receipt. Any person who fails to separately state the assumed or absorbed sales tax on the invoice or receipt would be guilty of a misdemeanor.

* Require any out-of-state seller who voluntarily collects and remits use tax to file and remit the tax annually unless the amount is equal to $1,000 or more. The seller must file and remit the use tax for the month when $1,000 or more is due.

* Specify that the 2% timely remittance of payment allowance applies to sales transactions with tax exemptions under Sections 144.210 and 144.212.

The provisions of the bill regarding the Streamlined Sales and Use Tax Agreement would become effective January 1, 2016.

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

JH:LR:OD

SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on Administrative Rules
Department of Agriculture
Missouri Agricultural and Small Business Development Authority.
Department of Economic Development
Division of Workforce Development
Missouri Housing Development Commission
Missouri Development Finance Board
St. Louis County
City of Jefferson City
City of Kansas City
St. Louis County Board of Election Commission

**Not responding:**
Department of Revenue

Mickey Wilson

Mickey Wilson, CPA
Director
March 4, 2014

Ross Strope
Assistant Director
March 4, 2014

JH:LR:OD