

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5663-02  
Bill No.: HCS for HB 1967  
Subject: Taxation and Revenue - General; Taxation and Revenue - Income; Taxation and Revenue - Sales and Use  
Type: Original  
Date: March 17, 2014

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Bill Summary: This proposal would implement an expanded sales tax, and would use the additional revenues to reduce individual income tax rates.

**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	More than \$380,818,925 to (Unknown)	More than \$5,442,408 to (Unknown)	More than \$5,256,034 to (Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>More than \$380,818,925 to (Unknown)</b>	<b>More than \$5,442,408 to (Unknown)</b>	<b>More than \$5,256,034 to (Unknown)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 18 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>
Conservation Commission	More than \$10,296,737 to (Unknown)	More than \$20,594,474 to (Unknown)	More than \$20,594,474 to (Unknown)
Parks, and Soil and Water	More than \$8,237,789 to (Unknown)	More than \$16,475,579 to (Unknown)	More than \$16,475,579 to (Unknown)
School District Trust	More than \$82,377,894 to (Unknown)	More than \$164,755,788 to (Unknown)	More than \$164,755,788 to (Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	More than \$100,912,420 to (Unknown)	More than \$201,825,841 to (Unknown)	More than \$201,825,841 to (Unknown)

<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>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	170 FTE	170 FTE	170 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>170 FTE</b>	<b>170 FTE</b>	<b>170 FTE</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>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Local Government</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>	<b>Unknown to (Unknown)</b>

### **FISCAL ANALYSIS**

#### ASSUMPTION

Officials from the **University of Missouri - Economic and Policy Analysis Research Center (EPARC)** provided the following response.

EPARC officials assume this proposal, if enacted, would implement a tax on certain services that are not taxable under current sales and use tax law. By doing so it is presumed that sales and use tax collections would be increased. This proposal would reduce the top individual income tax rate so that income tax collections would be reduced by an amount not more than the revenues collected from the imposition of the tax on services.

## ASSUMPTION (continued)

### Tax on Sales and Services

An estimate for the revenues from a tax on services requires us to estimate the tax base for services in Missouri. Accounting for exempt services as stipulated in the bill, EPARC officials estimated the tax base on such services at \$26,375,578,805. If we multiply this base by 3%, we can estimate 2015 collections on services equal to \$791,267,364.

EPARC officials noted this proposal would exempt used merchandise other than motor vehicles, boats and motors, and trailers, and estimated expenditures of \$1,675,387,946 on used motor vehicles. EPARC officials computed \$50,261,638 in sales tax revenue on used motor vehicles at a 3% rate.

**Oversight** has no information on the sales tax on used merchandise other than motor vehicles, boats and motors, and trailers, and assumes sales tax collections on used merchandise other than motor vehicles, boats and motors, and trailers would not be significant.

Oversight also notes that used motor vehicles, boats and motors, and trailers are currently subject to sales and use tax. Oversight will include the unknown impact from the exemption for other used merchandise in the summary for changes to sales tax exemptions below.

### Individual Income Tax

This proposal would reduce the top individual income tax rate so that collections would be reduced by an amount not more than the additional revenues from the taxation of services. As noted above, the EPARC estimate of additional sales tax collections is equal to \$791,267,364.

EPARC officials noted the baseline individual income tax simulation using current provisions and the latest individual income tax data from 2012 indicated Net Tax Due of \$5,109,439,000.

- \* A second simulation using the same information and a 5% top tax rate on individual income indicated Net Tax Due of \$4,336,139,000, which would correspond to a reduction in individual income tax revenues of \$773,300,000.
- \* A third simulation using the same information and a 4.9% top tax rate on individual income indicated Net Tax Due of \$4,265,807,000, which would correspond to a reduction in individual income tax revenues of \$843,632,000.

### ASSUMPTION (continued)

#### Conclusion:

EPARC officials assume the 5% top rate would provide the closest individual income tax offset to the additional sales tax generated by taxing services at the current sales tax rate. As noted in their response to the previous version of this proposal, the difference of (\$791,267,364 - \$773,300,000) = \$17,967,364 would provide the smallest positive revenue change.

#### Local Sales Taxes:

EPARC officials noted the proposal would require counties and other political subdivisions to modify their local sales tax base in 2014 to include the items and services included in the new state tax on sales and services. They would then be required to recalculate their local sales tax rates in order to generate collections equal to the average annual collections in the five calendar years 2011-2015. EPARC officials assume this language would have a revenue neutral impact on local sales taxes.

Although they did not respond to our request for information, officials from the **Department of Revenue (DOR)** assumed similar language in HJR 25 LR 0783-01 (2013) (dates changed) would have an FTE impact for the processing area in fiscal year 2016 based on a nine-month cycle. The Department must have personnel fully trained as of January 1, 2016. The Department would need to hire and begin training temporary staff in October 2015. For FY 2015, DOR officials assume no additional full-time employees would be needed. This legislation would have a significantly larger impact on the Department if we are required to collect the tax from the person consuming, using or storing the tangible personal property or taxable service.

#### Personal Tax

FY 2015 – Personal Tax would retain 100% of existing staff to continue the processing and collection duties of individual income tax.

FY 2016 - Personal Tax would retain 100% of existing staff to continue the processing and collection duties of individual income tax.

FY 2017 – Personal Tax would retain 100% of existing staff to continue the processing and collection duties of individual income tax.

ASSUMPTION (continued)

Collections & Tax Assistance (CATA)

FY 2016 - Based on the presumption of doubling the number of businesses, for registration, contacts, and collection efforts – CATA would need an additional 150 temporary employees including CARES phones & licenses. DOR officials noted CATA's FY 2011 sales use tax and registration FTE impact was 75. Training would begin in October of 2015.

Sales, Excise and Business Tax

DOR officials stated their estimated impact is based on the assumption that the workload for sales/use tax would double because of the additional filers. Based upon FY 2010 program costs, which include processing, correspondence, error correction, refunds, etc., business tax would need an additional 92 temporary employees for sales/use tax. The Department assumed that although the new sales tax would go into effect January 1, 2016, a portion of current staff responsible for corporate tax would not be available for reallocation until FY 2018 and withholding & personal tax staff would not be available for reallocation until the last half of FY 2021, and even then, it may be only a fraction of the employees. Therefore, temporary staff would be needed until the current staff can be reallocated. If the number of new filers should more than double, the amount of additional resources would increase proportionately.

FY 2016 – Business tax would need 92 temporary employees and would receive benefits this fiscal year. Training would begin in October 2014.

FY 2017 – Business Tax would still need 92 temporary employees.

DOR officials assumed their organization would require one FTE Economist (Range 20, Step Q)

## ASSUMPTION (continued)

### Field Compliance

DOR officials noted in fiscal year 2010, Field Compliance conducted 2,350 sales and use tax audits. In order to conduct the approximately 4,700 sales and use tax audits indicated by a doubling of the number of sales tax licensees, it would be necessary to double our audit enforcement staff. This would require additional instate and out of state personnel. Currently, Field Compliance has 160 assigned positions with an approximate payroll of \$7.4 million.

The addition of 160 new positions would increase Field Compliance to 320 positions and a payroll of approximately \$14 million.

DOR officials assumed each additional employee would have start up costs which include a new computer, file cabinet, desk, chair, side chair, calculator, and on-going supplies. The approximate cost for 160 new employees would be \$454,080. The travel and operating budget could potentially double by moving the budget from \$400,000 to potentially \$800,000. This would bring the approximate Expense and Equipment cost to approximately \$1.2 million.

DOR officials also assumed each in-state and out of state facility would need to be moved to accommodate the increase in personnel. The estimated cost for this would double fiscal year 2010's amount of \$450,000 to \$900,000.

### Legal Services

FY 2016 – DOR officials assumed, based on the presumption of doubling the number of businesses licensed to collect and remit sales tax, there would be a substantial increase in the caseload. The income tax cases would decrease over time, but they would continue for the next few years.

Legal services would need to add six (6) additional attorneys, one (1) senior office support assistant- keyboarding, and two (2) support staff.

**Oversight** notes the provisions would have an impact beginning in FY 2015 and will include DOR costs for FY 2015, FY 2016, and FY 2017.

ASSUMPTION (continued)

In response to a previous version of this proposal, 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 this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of the State Treasurer (STO)** stated they have no expertise or knowledge of the complexities of the sales tax rates in place across the state, nor do we possess the analytical systems necessary to compile and analyze the data associated with the changes in tax base.

STO officials assume their organization would rely heavily on information provided by the Department of Revenue (DOR) in their calculations, and would be required to hire an additional 5 staff and acquire technology to adequately review any sales tax rates submitted by the DOR for verification.

STO officials calculated the cost to perform the indicated review and verification in-house; however, given the time constraints between when the bill would become effective (August 28, 2014) and when DOR must complete their calculations (September 1, 2014), it appears the STO would not have sufficient time to hire staff and would likely need to outsource the calculations. STO officials did not have an estimate of the cost to outsource these calculations, but assumed the cost would be at least equal to the costs to performing the service in-house. The time constraints involved in the timing of the calculations may hinder either option significantly, though the bill doesn't indicate how long the State Treasurer would have to review and verify the DOR calculations.



ASSUMPTION (continued)

Based on their estimates, STO officials assume there would be additional costs to the General Revenue Fund of \$332,546 in FY 2015, \$291,432 in FY 2016, \$294,346 in FY 2017, and similar costs for all years after plus any adjustments for increases in state employee salaries and benefits.

**Oversight** will include unknown costs in excess of \$100,000 per year for the STO review of sales tax rate adjustments in this fiscal note.

Officials from the **City of Kansas City** assume their organization would have undetermined revenue reductions from the new sales tax exemptions.

**Oversight** will assume for fiscal note purposes that the net impact of changes in sales tax exemptions for local governments would be minimal.

Officials from **St. Louis County** assume their organization would have additional unknown costs to recalculate and distribute the county-wide one cent sales tax.

**Oversight** will assume for fiscal note purposes that any recalculations and adjustments would be provided by the Office of the State Treasurer and the Department of Revenue, and will not include any costs for St. Louis County in this fiscal note.

Officials from the **Platte County Board of Elections** and the **St. Louis County Directors of Elections** assume the proposal would have no fiscal impact their organizations

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. Louis, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information.

ASSUMPTION (continued)

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, Jefferson City, 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.

Oversight assumptions

**Oversight** will use the EPARC estimates of additional general sales tax revenues and individual income tax revenue reductions in this fiscal note. Oversight notes the additional sales tax revenues would be effective January 1, 2015 and assumes the Department of Revenue would make the income tax rate adjustment required in this proposal effective January 1, 2015 as well.

**Oversight** notes that retailers would be required to charge and remit the increased sales taxes as of January 1, 2015 (FY 2015) and assumes additional sales tax revenues would be less than  $(\$791,267,364/2) = \$395,633,682$  due to reporting delays, since only the largest retailers would be required to remit the increased taxes immediately.

**Oversight** also notes the income tax rate adjustment required in this proposal would be effective for 2015 but income tax returns reflecting those adjustments would be filed beginning in January 2016 (FY 2016). Oversight is aware some filers would reduce their withholding or estimated payments in anticipate of a tax cut. Based on information provided by the Office of Administration, Division of Budget and Planning in response to similar language in other proposals, from 25% to 50% of the revenue reduction might be expected in FY 2015. The potential FY 2015 revenue reduction from withholding and estimated tax adjustments would be from \$193,325,000 at 25% to \$386,650,000 at 50%. For fiscal note purposes, however, Oversight will include the full impact in the year the tax returns would be filed.

Finally, **Oversight** notes the proposal does not include any additional provisions specific to 2016. Although an additional rate adjustment could be required, Oversight is unable to estimate that reduction and will use same reduction for FY 2015 and FY 2016.

ASSUMPTION (continued)

**Oversight** assumes the sales tax on services would also apply to the Conservation Commission Fund, the Parks and Soil and Water Fund, and the School District Trust Fund.

The additional sales tax revenues for those funds would be calculated as shown below on the EPARC estimated base of \$26,375,578,805.

Fund	Rate	Half year	Full year
School District Trust	1.000%	\$131,877,894	\$263,755,788
Conservation Commission	0.125%	\$16,484,737	\$32,969,474
Parks, and Soil and Water	0.100%	\$13,187,789	\$26,375,579

**Oversight** notes this proposal would repeal a number of current sales tax exemptions and would incorporate a number of exemptions for sales that are currently subject to tax. Oversight has no information on the number or amount of such sales which would be subject to taxation or exemption if this proposal is implemented and will indicate an unknown revenue increase or reduction for fiscal note purposes for the General Revenue Fund, the School District Trust Fund, the Conservation Commission Fund, the Parks and Soil and Water Fund, and for local governments.

**Oversight** is aware that sales tax revenues in the School District Trust Fund are distributed along with other funds to local school districts, but will not include those transfers in this fiscal note.

**Oversight** notes this proposal would eliminate the current state sales tax on food which would reduce sales tax revenues to the School District Trust Fund, the Conservation Commission Fund, and the Parks and Soil and Water Fund. Oversight will calculate the revenue reduction based on estimated food sales of approximately \$9.9 billion and assumes collections in FY 2015 would be less than the six month revenue calculation due to reporting differences.

ASSUMPTION (continued)

<u>Fund or entity</u>	<u>Sales Tax Rate</u>	<u>Revenue Reduction</u>	
		<u>Annual</u>	<u>Six Months</u>
School District Trust	1.000%	\$99,000,000	\$49,500,000
Conservation Commission	0.125%	\$12,375,000	\$6,188,000
Parks, and Soil and Water	0.100%	\$9,900,000	\$4,950,000

**Oversight** notes this proposal would reduce the timely filing discount from 2% to 1%. Oversight has no information as to the amount by which timely filing discounts would change if this proposal was implemented and will include an unknown revenue increase for the General Revenue Fund, for other state funds which receive sales tax revenues and, and for local governments.

**Oversight** notes this proposal would impose the burden of proof in all tax dispute matters on the Department of Revenue.

In response to Perfected HB 1455 LR 5450-01, officials from the **Department of Revenue (DOR)** assumed that shifting the burden of proof to their organization in more instances would result in a reduction in revenue to the state but did not provide an estimate of the potential loss.

DOR officials also indicated there would be additional administrative cost for the proposal but did not have time to provide an estimate of the additional employees or other cost.

**Oversight** will include an unknown additional cost for the Department of Revenue and an unknown revenue reduction for the General Revenue Fund. Oversight assumes any revenue reduction to other funds or to local governments would be insignificant.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>GENERAL REVENUE FUND</b>			
<u>Additional revenue</u> - DOR tax on services	Less than \$395,633,682	\$791,267,364	\$791,267,364
<u>Additional revenue</u> - DOR Reduced timely filing discount	Unknown	Unknown	Unknown
<u>Revenue increase/reduction</u> -DOR Changes to sales tax exemptions	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
<u>Revenue reduction</u> - DOR Individual income tax rate reduction	\$0	(\$773,300,000)	(\$773,300,000)
<u>Revenue reduction</u> - DOR Burden of proof provision	(Unknown)	(Unknown)	(Unknown)
<u>Additional cost</u> - DOR Burden of Proof provision	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - STO Sales tax rate recalculations	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<u>Cost</u> - DOR			
Temporary employees (242)	(\$1,429,857)	(\$1,760,221)	(\$1,786,624)
Salaries	(\$6,700,142)	(\$6,767,143)	(\$6,868,650)
Benefits	(\$3,399,987)	(\$3,433,987)	(\$3,485,497)
Expense and equipment	<u>(\$3,184,771)</u>	<u>(\$463,605)</u>	<u>(\$470,559)</u>
Total	<u>(\$14,714,757)</u>	<u>(\$12,424,956)</u>	<u>(\$12,611,330)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b>More than \$380,818,925 to <u>(Unknown)</u></b>	<b>More than \$5,442,408 to <u>(Unknown)</u></b>	<b>More than \$5,256,034 to <u>(Unknown)</u></b>
Estimated Net FTE impact on General Revenue Fund	170 FTE	170 FTE	170 FTE

**FISCAL IMPACT - State Government**  
**(Continued)**

FY 2015  
 (10 Mo.)

FY 2016

FY 2017

**CONSERVATION COMMISSION  
 FUND**

Additional revenue - DOR  
 tax on services

Less than  
 \$16,484,737

\$32,969,474

\$32,969,474

Additional revenue - DOR  
 Reduced timely filing discount

Unknown

Unknown

Unknown

Revenue increase/reduction -DOR  
 Changes to sales tax exemptions

Unknown to  
 (Unknown)

Unknown to  
 (Unknown)

Unknown to  
 (Unknown)

Revenue reduction - DOR  
 Sales tax exemption on food

(\$6,188,000)

(\$12,375,000)

(\$12,375,000)

**ESTIMATED NET EFFECT ON  
 CONSERVATION COMMISSION  
 FUND**

**More than  
 \$10,296,737 to  
(Unknown)**

**More than  
 \$20,594,474 to  
(Unknown)**

**More than  
 \$20,594,474 to  
(Unknown)**

**PARKS, AND SOIL AND WATER  
 FUND**

Additional revenue - DOR  
 tax on services

Less than  
 \$13,187,789

\$26,375,579

\$26,375,579

Additional revenue - DOR  
 Reduced timely filing discount

Unknown

Unknown

Unknown

Revenue reduction - DOR  
 Sales tax exemption on food

(\$4,950,000)

(\$9,900,000)

(\$9,900,000)

**ESTIMATED NET EFFECT ON  
 PARKS, AND SOIL AND WATER  
 FUND**

**More than  
 \$8,237,789 to  
(Unknown)**

**More than  
 \$16,475,579 to  
(Unknown)**

**More than  
 \$16,475,579 to  
(Unknown)**

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Additional revenue</u> - DOR tax on services	Less than \$131,877,894	\$263,755,788	\$263,755,788
<u>Revenue increase/reduction</u> -DOR Changes to sales tax exemptions	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
<u>Additional revenue</u> - DOR Reduced timely filing discount	Unknown	Unknown	Unknown
<u>Revenue reduction</u> - DOR Sales tax exemption on food	<u>(\$49,500,000)</u>	<u>(\$99,000,000)</u>	<u>(\$99,000,000)</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b>More than \$82,377,894 to <u>(Unknown)</u></b>	<b>More than \$164,755,788 to <u>(Unknown)</u></b>	<b>More than \$164,755,788 to <u>(Unknown)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>LOCAL GOVERNMENTS</b>			
<u>Additional revenue - DOR</u>			
Reduced timely filing discount	Unknown	Unknown	Unknown
<u>Revenue increase/reduction -DOR</u>	Unknown to	Unknown to	Unknown to
Changes to sales tax exemptions	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b>Unknown to <u>(Unknown)</u></b>	<b>Unknown to <u>(Unknown)</u></b>	<b>Unknown to <u>(Unknown)</u></b>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which are, or would become, subject to sales tax collections.

FISCAL DESCRIPTION

This proposal would reduce the state individual income tax rate and replace the current state and local sales and use tax with a state and local sales tax on retail sales of new tangible personal property, new and used motor vehicles, boats and motors, and trailers, and would apply state and local sales tax rates on taxable services as defined in the proposal. Local sales tax rates would be recalculated to provide the same revenue as current rates.



FISCAL DESCRIPTION (continued)

Beginning January 1, 2015, the state individual income tax rate would be reduced annually if the Director of the Department of Revenue determines that the total tax revenue collected by the state including the rate reduction is equal to or greater than the total tax revenue collected in the prior tax year, subject to review and verification by the State Treasurer. From January 1, 2015, to January 1, 2017, the local sales tax rates would be recalculated to produce reasonably equivalent amounts of revenue to the prior rate of tax collected averaged over the previous five tax years with the federal Consumer Price Index changes factored in. After that date, the state sales tax rate plus the conservation sales tax rate, the parks and soils sales tax rate, and local tax rates, excluding transportation district taxes and community improvement district taxes, would be limited to 10% unless the increase is imposed by voters or the temporary result of the recalculation of local taxes.

Beginning January 1, 2015, there would be no state sales tax on food. Property purchased to be a component part or ingredient of a new tangible personal property, merchandise to be sold at retail; government purchases including federal, state, and local governments; purchases of inventory; real property transactions; construction of an entirely new building or structure; purchases of utilities; purchases of medical services including medications; purchases of professional services; purchases of child care and elderly care; purchases between consolidated entities; purchases of services rendered by employees for his or her employer; business-to-business transactions including agriculture; purchases for investment; purchases involving gambling at licensed bingo, racing, or gambling boats; purchases relating to common carriers; purchases of railroad rolling stock; purchases of barges and cargo; tuition and fees for education; purchases of insurance products and services; purchases of used tangible personal property other than motor vehicles, boats and motors, and trailers; and purchases by charities would be exempt from sales tax.

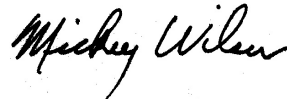
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State  
Office of the State Treasurer  
Joint Committee on Administrative Rules  
University of Missouri  
    Economic and Policy Analysis Research Center  
City of Kansas City  
Platte County Board of Elections  
St. Louis County Directors of Elections

**Not responding:**

Office of Administration  
    Division of Budget and Planning  
Department of Revenue



Mickey Wilson, CPA  
Director  
March 17, 2014

Ross Strobe  
Assistant Director  
March 17, 2014