

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6477-01
Bill No.: HB 2218
Subject: Taxation and Revenue - Sales and Use
Type: Original
Date: April 22, 2014

Bill Summary: This proposal would change current provisions regarding sales tax refund claims.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on General Revenue Fund	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
School District Trust	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Conservation Commission	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Parks, and Soil and Water	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Road	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

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	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

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

ASSUMPTION (continued)

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 Administration - Division of Budget and Planning (BAP)** assume this proposal would have statewide impact, and would impact the calculation required under Article X, Section 18(e) of the Missouri Constitution.

BAP officials noted this proposal would modify provisions related to sales tax refund claims made by the purchasers of certain taxable property. Based on information provided by the Department of Revenue, BAP officials estimated these provisions may have impacted less than \$5 million in sales tax refund claims over the last several years; however, it is possible more refund claims may be received if this proposal is adopted. Therefore, BAP officials assume this proposal could reduce Total State Revenues by more than \$5 million annually.

Officials from the **Department of Revenue (DOR)** assume this proposal would modify current provisions pertaining to offsets or claims when the assessment is no longer subject to appeal. The proposal would allow a refund if the purchaser files a refund claim, provided the refund claim is for use tax remitted by the purchaser, or if a person legally obligated to remit the tax files another refund claim.

Fiscal impact

DOR officials assume this proposal would result in a revenue reduction greater than \$5 million.

Administrative impact

DOR officials did not provide an estimate of administrative cost to implement this proposal, and **Oversight** assumes any administrative cost related to this proposal would be minimal and could be implemented with existing resources.

ASSUMPTION (continued)

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$5,460, based on 200 hours of programming to make changes to DOR systems.

Oversight assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA - ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOR) could request funding through the appropriation process.

Oversight assumes the potential revenue reduction for this proposal is unknown; however, if the impact is \$5 million, that impact would be distributed across those funds which receive sales and use tax revenues. The actual distribution of \$5 million in state sales tax revenues would depend on the type of property purchased and the type of taxable services involved.

- * The 3% General Sales tax of approximately \$3.5 million would be deposited into the General Revenue Fund, or into Road Funds if the sales or use tax was imposed on a motor vehicle. The amounts due to the Road Funds are further distributed according to a formula in the Missouri Constitution.
- * The 1% Education Sales Tax of approximately \$1.2 million would be deposited into the School District Trust Fund, to be distributed to school districts along with other money in the fund.
- * The 1/8% Conservation Sales Tax of approximately \$150,000 would be deposited into the Conservation Commission Fund.
- * The 1/10% Parks, and Soil and Water Sales Tax of approximately \$120,000 would be deposited into funds managed by the Department of Natural Resources.
- * In addition to the state sales tax collections which could be refunded if this proposal is enacted, there would be approximately \$6.2 million in local sales taxes refunded.

ASSUMPTION (continued)

- * The reduction in sales tax collections for local governments and for road funds would also result in reduced collection charges for the Department of Revenue.

For fiscal note purposes, **Oversight** will indicate a revenue reduction for sales and use taxes greater than \$100,000 for the General Revenue Fund, road funds, other state funds which receive sales tax revenues, and for local governments. Oversight will also indicate an unknown revenue reduction for the General Revenue Fund for the reduction in local government sales tax collection charges.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Revenue reduction</u> - DOR			
Collection charges on sales tax			
Section 144.190	(Unknown)	(Unknown)	(Unknown)
<u>Revenue reduction</u> - Sales tax exemption	(More than	(More than	(More than
Section 144.190	<u>\$100,000)</u>	<u>\$100,000)</u>	<u>\$100,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction</u> - Sales tax exemption Section 144.190	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
CONSERVATION COMMISSION FUND			
<u>Revenue reduction</u> - Sales tax exemption Section 144.190	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
ROAD FUNDS			
<u>Revenue reduction</u> - Sales tax exemption Section 144.190	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON ROAD FUNDS	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	More than <u>\$100,000</u>)

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2015 (10 Mo.)	FY 2016	FY 2017
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PARKS, AND SOIL AND WATER FUNDS

<u>Revenue reduction</u> - Sales tax exemption Section 144.190	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
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ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUNDS	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</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 exemption Section 144.190 *	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS *	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
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* Net of reduction in 1% collection charges (not shown separately).

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact on a small business with a sales tax refund claim.

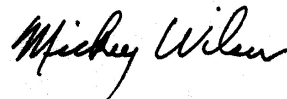
FISCAL DESCRIPTION

This proposal would clarify that current limitations on sales tax refund claims are applicable to the final assessment of sales and use tax which are no longer subject to appeal.

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

SOURCES OF INFORMATION

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



Mickey Wilson, CPA
Director
April 22, 2014

Ross Strobe
Assistant Director
April 22, 2014