

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5876-01
Bill No.: HB 2294
Subject: Taxation and Revenue - Sales and Use; Firearms; Fishing and Hunting
Type: Original
Date: April 5, 2016

Bill Summary: This proposal establishes the Annual Sportsman Sales Tax Holiday Act which authorizes an annual sales and use tax exemption on purchases of certain outdoor sportsman equipment for three days in October.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$323,855-\$2,783,855)	(\$275,689-\$2,735,689)	(\$275,831-\$2,735,831)
Total Estimated Net Effect on General Revenue	(\$323,855-\$2,783,855)	(\$275,689-\$2,735,689)	(\$275,831-\$2,735,831)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
School Trust	(\$90,000-\$910,000)	(\$90,000-\$910,000)	(\$90,000-\$910,000)
Conservation	\$0 or (\$11,250-\$110,000)	\$0 or (\$11,250-\$110,000)	\$0 or (\$11,250-\$110,000)
Parks, Soil & Water	(\$9,000-\$90,000)	(\$9,000-\$90,000)	(\$9,000-\$90,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$99,000 - \$1,110,000)	(\$99,000 - \$1,110,000)	(\$99,000 - \$1,110,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0 or (\$380,000-\$3,840,000)	\$0 or (\$380,000-\$3,840,000)	\$0 or (\$380,000-\$3,840,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume the proposal creates the “Annual Sportsman Sales Tax Holiday Act”, and beginning January 1, 2016, the proposal exempts “sportsman equipment” from sales tax for sales occurring between 12:01am on the first Friday in October until midnight on the following Sunday. Local political subdivisions may opt-out by notifying DOR at least 30 days before the beginning of the holiday.

DOR will mail notices to approximately 10,000 businesses selling sportsman equipment and will incur Integrated Tax System costs. Total costs are estimated at \$53,855 FY 2017, \$5,689 FY 2018 and \$5,831 FY 2019.

Officials from the **Office of Administration-Division of Budget and Planning (B&P)** assume the proposal will decrease Total State Revenue and will impact the calculation under Article X, Section 18. The proposal also affects the Department of Natural Resources and the Department of Conservation. In addition, the language specifically allows Conservation to opt out of the sales tax holiday. B&P shows the cost to the Department of Conservation as if they chose not to opt out.

B&P used U.S. Bureau of Economic Analysis (BEA) data to estimate the range of the reduction of sales tax revenue for General Revenue, Education, Conservation and Water, Parks and Soil. The low end of the range assumes average daily sales for the three day holiday period and the high end of the range assumes a one month average sales compressed into the three day holiday period.

B&P estimates \$1.09 billion in annual sales of “sportsman equipment” based upon BEA data. Average daily sales is computed to be \$3 million with average daily General Revenue sales tax (3%) collection of \$90,000. A typical 3-day weekend would be \$270,000 of impact (\$90,000 x 3). A typical month (if purchasing patterns are altered by this proposal and some purchases are delayed until sales tax holiday) of impact would be \$2,730,000 (\$90,000 x 30.3 days).

Officials from the **Department of Natural Resources (DNR)** assume the proposal would decrease the amount of funding available in the Parks and Soils Sales Tax Funds, and further assumes the DOR and B&P will provide a more detailed account of the fiscal impact.

Since local political subdivisions and the Conservation Commission may opt out of the program, **Oversight** will range their fiscal impact from \$0 or the estimates provided by B&P.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE FUND			
<u>Revenue Reduction</u> - sales and use tax exemption for sportsman equipment	(\$270,000-\$2,730,000)	(\$270,000-\$2,730,000)	(\$270,000-\$2,730,000)
<u>Cost</u> - DOR IT and mailing cost	(\$53,855)	(\$5,689)	(\$5,831)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(\$323,855-\$2,783,855)	(\$275,689-\$2,735,689)	(\$275,831-\$2,735,831)
SCHOOL DISTRICT TRUST FUND			
<u>Revenue Reduction</u> - sales and use tax exemption for sportsman equipment	(\$90,000-\$910,000)	(\$90,000-\$910,000)	(\$90,000-\$910,000)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	(\$90,000-\$910,000)	(\$90,000-\$910,000)	(\$90,000-\$910,000)
CONSERVATION COMMISSION FUND			
<u>Revenue Reduction</u> - sales and use tax exemption for sportsman equipment	\$0 or (\$11,250-\$110,000)	\$0 or (\$11,250-\$110,000)	\$0 or (\$11,250-\$110,000)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	\$0 or (\$11,250-\$110,000)	\$0 or (\$11,250-\$110,000)	\$0 or (\$11,250-\$110,000)
PARKS, SOIL & WATER FUNDS			
<u>Revenue Reduction</u> - sales and use tax exemption for sportsman equipment	(\$9,000-\$90,000)	(\$9,000-\$90,000)	(\$9,000-\$90,000)
ESTIMATED NET EFFECT ON PARKS, SOIL & WATER FUNDS	(\$9,000-\$90,000)	(\$9,000-\$90,000)	(\$9,000-\$90,000)

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
LOCAL GOVERNMENT			
<u>Revenue Reduction</u> - sales and use tax exemption for sportsman equipment	\$0 or (\$380,000- <u>\$3,840,000</u>)	\$0 or (\$380,000- <u>\$3,840,000</u>)	\$0 or (\$380,000- <u>\$3,840,000</u>)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	\$0 or (\$380,000- <u>\$3,840,000</u>)	\$0 or (\$380,000- <u>\$3,840,000</u>)	\$0 or (\$380,000- <u>\$3,840,000</u>)

FISCAL IMPACT - Small Business

Small businesses selling sportsman equipment items may see an increase in sales due to the annual three-day sales tax holiday.

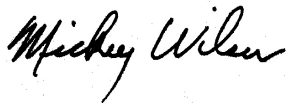
FISCAL DESCRIPTION

The proposed legislation establishes the Annual Sportsman Sales Tax Holiday Act which, beginning January 1, 2016, authorizes an annual state sales and use tax exemption on certain outdoor sportsman equipment during three days beginning at 12:01am on the first Friday in October. Outdoor sportsman equipment includes firearms and hunting, camping, fishing, outdoor nature sports and paddle sports equipment but does not include recreational vehicles, boats, or bicycles. Retailers may offer a sales tax refund in lieu of the sales tax holiday when less than 2% of their sales qualifies for the holiday. Any political subdivision may adopt an order or ordinance to opt out of the holiday. Upon annual determination by the State Conservation Commission, the Department of Conservation may opt out of the holiday and collect state sales and use tax. The provisions of the bill will expire December 31 six years from the effective date..

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

Department of Revenue
Office of Administration-
Division of Budget and Planning
Department of Natural Resources



Mickey Wilson, CPA
Director
April 5, 2016

Ross Strobe
Assistant Director
April 5, 2016