

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0420S.03C
 Bill No.: SCS for HCS for HB 154
 Subject: Taxation and Revenue - Sales and Use; Tax Credits; Energy; Utilities; Children and Minors
 Type: Original
 Date: April 24, 2023

Bill Summary: This proposal modifies provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue	Could exceed (\$30,180,654 to \$75,348,994)	Could exceed (\$37,215,828 to \$91,417,837)	Could exceed (\$37,215,828 to \$91,417,837)
Total Estimated Net Effect on General Revenue	Could exceed (\$30,180,654 to \$75,348,994)	Could exceed (\$37,215,828 to \$91,417,837)	Could exceed (\$37,215,828 to \$91,417,837)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
School District Trust Fund (0688)	Could exceed (\$122,290,232 to \$137,346,346)	Could exceed (\$162,172,391 to \$180,239,726)	Could exceed (\$162,172,391 to \$180,239,726)
Parks and Soils State Sales Tax Fund(S) (0613 & 0614)	Could exceed (\$12,229,023 to \$13,734,634)	Could exceed (\$16,235,029 to \$18,026,218)	Could exceed (\$16,235,029 to \$18,026,218)
Conservation Commission Fund (0609)	Could exceed (\$15,284,632 to \$17,168,294)	Could exceed (\$20,269,573 to \$22,529,967)	Could exceed (\$20,269,573 to \$22,529,967)
Total Estimated Net Effect on <u>Other</u> State Funds	Could exceed (\$149,803,887 to \$168,249,274)	Could exceed (\$198,676,993 to \$220,795,911)	Could exceed (\$198,676,993 to \$220,795,911)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Local Government	Could exceed (\$1,016,584,621 to \$1,075,633,700)	Could exceed (\$1,351,562,224 to \$1,422,421,120)	Could exceed (\$1,351,562,224 to \$1,422,421,120)

FISCAL ANALYSIS

ASSUMPTION

Section 135.647 Food Pantry Tax Credit

Officials from the **Department of Revenue (DOR)** note:

Starting August 28, 2023, this proposal will increase the cap on the food pantry tax credit. Currently the cap is set at \$1,750,000 and it will increase to \$2,750,000. This will be a loss to general revenue of \$1 million starting in FY 2024, the year in which the tax credits will be claimed.

This proposal also extends the sunset on the tax credit another year to 2027.

For informational purposes, the Department notes the Food Pantry tax credit program was created in 2007 and it had a sunset. In 2013, the sunset was extended and the cap was lowered to \$1,250,000. Then in 2014, the cap was increased to its current \$1,750,000. In 2018 the sunset was extended until 2026. Below is information on the authorization, issuance, and redemption of the credits over the last few years.

Year	Issued	Total Redeemed
FY 2022	\$1,749,992.00	\$1,749,992.00
FY 2021	\$1,749,992.00	\$1,749,992.00
FY 2020	\$1,131,882.00	\$1,131,882.00
FY 2019	\$1,380,894.00	\$1,380,894.00
FY 2018	\$1,679,924.00	\$1,679,924.00
FY 2017	\$1,584,566.00	\$1,584,566.00
FY 2016	\$1,155,480.00	\$1,155,480.00
FY 2015	\$1,118,866.00	\$1,118,866.00
FY 2014	\$840,234.00	\$840,234.00
FY 2013	\$72,822.00	\$72,822.00
FY 2012	\$796,156.10	\$796,156.10
TOTALS	\$13,260,808.10	\$13,260,808.10

Since this is an existing credit DOR already has the forms in place. DOR will need to update the computer program but will do that with existing resources.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal would increase the annual limit for the food pantry tax credit from \$1,750,000 to \$2,750,000.

B&P notes that this proposal would become effective August 28, 2023. Therefore, B&P assumes that the increase cap would begin in FY24, for tax year 2023. This proposal would also move the sunset date from 2026 to 2027.

B&P notes that the three-year average redemptions for the food pantry tax credit is \$1,543,955. However, redemptions for both FY21 and FY22 were at the annual limit. Therefore, B&P estimates that this proposal may decrease TSR and GR by \$1 million annually beginning in FY24.

Oversight notes that the proposal allow for additional appropriation regarding the food pantry and shown last three years of disbursements below:

	FY 2020 ACTUAL	FY 2021 ACTUAL	FY 2022 ACTUAL
Certificates Issued (#)	0	0	0
Projects (#)	1,493	3,183	3,195
Amount Authorized	\$0	\$0	\$0
Amount Issued	\$0	\$0	\$0
Amount Redeemed	\$1,131,882	\$1,749,992	\$1,749,992

Oversight notes that any taxpayer who donates cash or food to any local food pantry, local homeless shelter, or local soup kitchen shall be allowed a credit against the tax due under Chapter 143, RSMo, excluding withholding tax, in an amount equal to 50 percent of the value of the donations made.

Oversight notes that any donation of food shall be valued at fair market value or wholesale value if the taxpayer making the donation is a retail grocery store, food broker, wholesaler, or restaurant and shall be verified on an affidavit completed by the food pantry, local homeless shelter, or Local soup kitchen receiving the donation.

Oversight notes that currently the amount of credit claimed shall not exceed the amount of the taxpayer's state tax liability for the year the credit is claimed and shall not exceed \$2,500 per taxpayer and the cumulative amount of tax credits allocated to all taxpayers in any one fiscal year shall not exceed \$1,750,000.

Oversight notes the proposal allows for maximum cap of \$2.750, 000, therefore, Oversight will reflect a reduction of \$1 million in general revenue, for purpose of this fiscal note, due to the expansion of the tax credit maximum cap.

Lastly, **Oversight** notes this proposal extends the sunset until FY 2027 from previously set date in FY 2026.

Section 144.014 Food Sales Tax Exemption

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would exempt food from state and local sales tax beginning August 28, 2023. B&P notes that currently the state tax rate on non-prepared food is 1.225%; with 1% going to the School District Trust Fund, 0.125% going to Conservation, and 0.1% going to the Parks, Soil and Water Funds.

In FY22, there were \$15,424,112,225 in taxable food sales within Missouri. B&P estimates that approximately \$154,241,122 in food related sales taxes was distributed to the School District Trust Fund, \$19,280,140 to Conservation, and \$15,424,112 to the Parks, Soil and Water Funds.

Based on information from DOR, during FY22 \$1,316,606,800 in local sales tax money was collected from the retail sale of food. The following table shows the amounts collected by district type.

Table 1: Local Sales Tax
Collection on Food in
FY22

District	Sales Tax
City	\$676,144,528
City - TIF	\$14,806,188
County	\$503,601,896
District	\$122,054,187
Total	\$1,316,606,800

B&P notes that “districts” include CIDs, TIDs, ambulance districts, emergency service districts, fire protection districts, hospital districts, PIDs, library districts, jail districts, TDDs, and zoological districts.

B&P also notes that while this proposal would become effective August 28, 2023, sales tax distributions are one month behind collections. Therefore, B&P estimates that this provision may reduce TSR by \$151,025,549 in FY24. Once fully implemented, this proposal could reduce TSR by \$201,367,399 annually beginning in FY25. This proposal could also reduce local sales tax collections by \$1,316,606,800 once fully implemented.

B&P further notes that DOR is granted a 1% collection fee on sales taxes distributed to local jurisdictions, except CIDs, TDDs, and Port districts. Therefore, this proposal could reduce general revenue by \$9,316,518 in FY24. Once fully implemented, in FY25, this proposal may reduce general revenue by \$12,422,024 annually. Table 2 shows the estimated impact by state and local fund.

Table 2: Estimated Grocery Tax Loss by Fund

	FY 2024	FY 2025+
<u>State Fund</u>		
GR (1% fee)	(\$9,316,518)	(\$12,422,024)
Education	(\$115,680,842)	(\$154,241,122)
Conservation	(\$14,460,105)	(\$19,280,140)
DNR	(\$11,568,084)	(\$15,424,112)
Total State Loss	(\$151,025,549)	(\$201,367,399)
<u>Local Funds</u>		
Cities	(\$507,108,396)	(\$676,144,528)
Cities - TIF	(\$11,104,641)	(\$14,806,188)
Counties	(\$377,701,422)	(\$503,601,896)
CIDs	(\$28,436,951)	(\$37,915,935)
TDDs	(\$27,349,920)	(\$36,466,560)
Ambulance Districts	(\$18,515,053)	(\$24,686,738)
Fire Districts	(\$7,199,826)	(\$9,599,769)
Emergency Districts	(\$4,503,971)	(\$6,005,294)
Other Districts	(\$5,534,919)	(\$7,379,892)
Total Local Loss	(\$987,455,100)	(\$1,316,606,800)

Officials from the **Department of Revenue (DOR)** note in Section 144.020 items that are sold are subject to state and local sales and use tax. The state sales tax is 4.225%. That sales tax is broken down as:

General Revenue 3.000%
 School District 1.000%
 Conservation Commission 0.125%
 Parks, Soil & Water Funds 0.100%

In 1997, Section 144.014 was adopted and it exempted the collection of the 3% general revenue sales tax while leaving the remaining 1.225% sales tax in place. This proposal would exempt food from the remaining 1.225% state and the 4.07% local sales and use taxes.

This proposal would become effective on August 28, 2023. It should be noted that sales tax is distributed one month behind the collection. Therefore, DOR will show the loss as 9 months due to the delayed distribution.

The Department notes that in FY 22 food reported \$15,424,112,225 in taxable sales. Therefore, the School District Trust Fund received \$154,241,122, the Conservation Commission Fund received \$19,280,140 and the Parks and Soil & Water Funds received \$15,424,112 in state sales tax.

Additionally, numerous other local districts received sales tax from food. For fiscal note purposes, the Department uses a local sales tax rate of 4.07% based on the local weighted average to calculate sales tax.

The Department notes the estimated local sales tax collected by type of district.

District	Sales Tax
City	\$676,144,528
City – TIF	\$14,806,188
County	\$503,601,896
District	\$122,054,187
Total	\$1,316,606,799

The Department is allowed to retain a 1% collection fee off some of the local sales and use tax DOR collects. Community Improvement Districts (CID), Transportation Development Districts (TDD) and Port Authority Districts do not have the 1% retained even though most other districts do. For those districts in which DOR collects the 1% fee, DOR assumes a loss to general revenue of \$9,316,518 in FY 2024 and \$12,422,024 in FY 2025 and beyond from the 1% fee.

The expected loss to the state funds and locals is estimated:

State Fund	FY24	FY25+
	High	High
GR (1% fee)	(\$9,316,518)	(\$12,422,024)
School District	(\$115,680,842)	(\$154,241,122)
Conservation	(\$14,460,105)	(\$19,280,140)
DNR	(\$11,568,084)	(\$15,424,112)
Total State Loss	(\$151,025,549)	(\$201,367,399)
Local Funds		
City	(\$507,108,396)	(\$676,144,528)
City - TIF	(\$11,104,641)	(\$14,806,188)
County	(\$377,701,422)	(\$503,601,896)
CID	(\$28,436,951)	(\$37,915,935)

TDD	(\$27,349,920)	(\$36,466,560)
Ambulance	(\$18,515,054)	(\$24,686,738)
Fire	(\$7,199,827)	(\$9,599,769)
Emergency	(\$4,503,971)	(\$6,005,294)
Other	(\$5,534,919)	(\$7,379,892)
Total Local Loss	(\$987,455,100)	(\$1,316,606,800)

The Department will need to modify their forms, website, and computer programs. These changes are estimated at \$7,163.

Oversight notes this provision will become effective August 28, 2023. Oversight notes that sales tax is distributed one month behind the collection. Therefore, Oversight will show the fiscal impact for FY 2024 for nine months. Oversight notes the estimate for the impact to locals appears to be higher than expected.

In response to HB 260 (2023), officials from the **City of Kansas City** assumed this proposal would have a negative fiscal impact of an indeterminable amount on their city.

In response to HB 260 (2023), officials from the St Louis Budget Division assumed this proposal would result in an estimated loss of \$17.1 million based on fiscal year ending June 30, 2022 sales tax collections.

Oversight notes the proposed exemption of “food” from local sales tax would decrease the amount of sales tax revenue received by local political subdivisions. Therefore, Oversight will note B&P and DOR’s estimates for all local political subdivisions on the fiscal note.

Sections 144.030(47) & 144.030(48) Diaper and Feminine Hygiene Product Sales Tax Exemption

Officials from the **Department of Revenue (DOR)** note the following:

Kids Diapers

Beginning August 28, 2023, the tax levied and imposed under Chapter 144 (Section 144.030.2(47)) on all retail sales of kid’s diapers shall be exempt from taxation. This exemption extends to the local sales tax rate as well as the state sales tax rate. The current state sales tax rate of is 4.225%. DOR notes they use a 4.07% weighted average local tax rate. The current state tax rate is distributed as:

General Revenue is	3%	
School District Trust Fund is	1%	(Section 144.701)
Conservation Commission Fund is	.125%	(Article IV, Section 43(a))
Parks, Soil & Water Funds	.1%	(Article IV, Section 47(a))

The Department notes that the average child wears diapers for three years before becoming fully toilet trained. DOR found the price of diapers vary from \$0.16 per diaper for generics to \$0.60 for name brand. Prices of diapers also depend on the size of the diaper. Estimates by various children’s organizations indicate that an infant in the first year of life goes through 2,500 diapers. The next two years as toddlers they go through 1,500 diapers annually.

Wearing Diaper	How Many	Low Price per Diaper	High Price per Diaper	Total Cost Low	Total Cost High
First Year (Size 1)	2,500	0.16	0.31	400	775
Second Year (Size 3)	1,500	0.18	0.38	270	570
Third Year (Size 5)	1,500	0.29	0.60	435	900

Based on the Department of Health and Senior Services, the average number of resident births from 2018-2020 was 71,554. Given that 3 years’ worth of children are wearing diapers in any one year (1 set of infants and 2 sets of toddlers) DOR estimates the following:

Births Annually	71,554
# of kids in Diapers Annually	214,662
# of Diapers Annually	
infant	178,885,000
toddler (2yrs)	214,662,000
total (kids * diapers)	393,547,000

Since this would start on August 28, 2023, there would still be two months in FY 2024 in which the tax would be collected. The remaining 10 months would result in a loss to the state sales tax funds and local funds of the following:

State Funds	FY 2024 (10 months)		FY 2025+	
	Low	High	Low	High
General Revenue	(\$1,976,679)	(\$4,015,968)	(\$2,372,015)	(\$4,819,162)
School Districts	(\$658,893)	(\$1,338,656)	(\$790,672)	(\$1,606,387)
Conservation	(\$80,714)	(\$163,985)	(\$96,857)	(\$196,782)
Park, Soil & Water	(\$65,889)	(\$133,866)	(\$79,067)	(\$160,639)
Local Funds	(\$2,681,695)	(\$5,448,330)	(\$3,218,034)	(\$6,537,996)

DOR notes this proposal would require one time computer programming changes and form changes. This is estimated to cost \$7,193.

Adult Diapers

Approximately one third of adults age 65 and older have moderate to severe urinary incontinence and 6 percent had moderate to severe bowl incontinence. According the United State Census Bureau 2020 population report, 1,033,384 individuals residing in Missouri were 65 or over. The Department notes that it is estimated that people with minor to moderate incontinence wear approximately 4 diapers per day while those with those with full urinary or fecal incontinence wear 6 diapers per day. The Department estimates that approximately 341,017 individuals aged 65 and over would utilize the four adult urinary incontinence diapers while 62,003 would wear 6 adult diapers daily.

The average cost for urinary incontinence diapers is \$1.33 per diaper.

Number of people	# of Diapers	Days per year	Total Diapers per person	Price per diaper	Total Sales
279,014	4	365	1460	1.33	541,788,764
62,003	6	365	2190	1.33	180,596,255
					722,385,018

Since this would start on August 28, 2023, there would still be two months in FY 2024 in which the tax would be collected. The remaining 10 months would result in a loss to the state sales tax funds and local funds of the following:

State Funds	FY 2024 (10 months)	FY 2025+
General Revenue	(\$18,059,625)	(\$21,671,551)
School Districts	(\$6,019,875)	(\$7,223,850)
Conservation	(\$752,484)	(\$902,981)
Park, Soil & Water	(\$601,988)	(\$722,385)
Local Funds	(\$24,500,892)	(\$29,401,070)

Feminine Hygiene

Information from numerous sources indicates that a women menstruates 500 times in her lifetime, usually between the ages of 13-51. The average length of a period is 3-7 days. Sources indicate that a woman uses the following:

	Number per cycle	Number per year	Number in Box	Boxes per year
Tampons	20	260	36	7.22
Pads/Panty Liners	5	65	36	1.81

Note a woman has 13 cycles a year (28 day cycle)/352 days a year.

The price per tampons and pads vary. DOR used a low and high price when determining the fiscal impact.

	Price Low	Price High	Total Cost Low	Total Cost High
Tampons	\$7.00	\$10.00	\$50.56	\$72.22
Pads/Panty Liners	\$7.00	\$10.00	\$12.64	\$18.06
			\$63.19	\$90.28

Using information from the US Census Bureau (2020 ACS 5 year estimates), DOR calculated the number of women having a period in Missouri (those between 13-51) as 1,543,060.

Since this would start on August 28, 2023, there would still be two months in FY 2024 in which the tax would be collected. The remaining 10 months would result in a loss to the state sales tax funds and local funds of the following:

	FY 2024 (10 months)		FY 2025 +	
	Low	High	Low	High
General Revenue	(\$2,437,820)	(\$3,482,601)	(\$2,925,384)	(\$4,179,121)
School	(\$812,607)	(\$1,160,867)	(\$975,128)	(\$1,393,040)
Conservation	(\$101,576)	(\$145,108)	(\$121,891)	(\$174,130)
Park, Soil & Water	(\$81,261)	(\$116,087)	(\$97,513)	(\$139,304)
	\$0	\$0	\$0	\$0
Locals	(\$3,307,310)	(\$4,724,728)	(\$3,968,772)	(\$5,669,674)

Officials from the **Office of Administration - Budget and Planning (B&P)** note the following:

Feminine Hygiene Products

Based on information from multiple sites, B&P estimates that women purchase an average of 6.8 to 7.2 boxes of tampons (average price \$7 to \$15) and 1.7 to 1.8 boxes (average price \$6 to \$15) of pads and liners per year (using the average cycle length of 28 to 30 days). B&P was also able to determine that the average age for menstruation is 12-51, and based on data provided by the

United State Census 2020 population estimates (the most recent complete year available), there are approximately 1,552,606 woman between those ages residing in Missouri.

Therefore, B&P estimates total sales of \$89,202,965 to \$210,826,336 may be impacted by this proposal. B&P estimates that this provision could reduce TSR by \$3,768,825 to \$8,907,413 annually. Using the population weighted average sales tax rate of 4.07% for 2022, B&P further estimates that this provision could reduce local sales tax collections by \$3,630,561 to \$8,580,632 annually.

Diaper (Child) Sales Tax Exemption

Based on research, B&P found that the average amount spent on diapers was \$1,000 during the first year and then \$500 to \$900 per year until toilet trained. Based on information from the University of Michigan Hospital, the average age until children are toilet trained is 2.5 years. Based on information provided by the United State Census 2020 population estimates (the most recent complete year available), there were approximately 217,943 children living in Missouri ages 0-2 years old, with 71,649 being less than one year old.

Therefore, B&P estimates total sales of \$144,796,000 [(71,649 x \$1,000) + (146,294 children x \$500)] up to \$194,535,960 [(71,649 x \$1,000) + (146,294 children x \$900)] may be impacted by this proposal. B&P estimates that this provision could reduce TSR by \$6,117,631 to \$8,219,144 annually. Using the population weighted average sales tax rate of 4.07% for 2022, B&P further estimates that this provision could reduce local sales tax collections by \$5,893,197 to \$7,917,614 annually.

Diaper (Adult) Sales Tax Exemption

According to research completed by the CDC, approximately 25% of adults age 65 and up had moderate to severe urinary incontinence and 8% had moderate to severe bowel incontinence. B&P notes that according the United State Census 2020 population (the most recent complete year available) estimates there were approximately 1,089,714 individuals residing in Missouri age 65 and over.

Based on these numbers, B&P estimates that approximately 272,429 (1,089,714 x 25%) individual age 65 and over would utilize adult urinary incontinence diapers. B&P further estimates that approximately 87,177 (1,089,714 x 8%) individuals residing in Missouri age 65 and over would utilize adult bowel incontinence diapers.

Based on information from a budgeting website, the average cost for urinary incontinence diapers is \$100 to \$240 per month, for a yearly cost of \$1,200 to \$2,880. Further information from the budgeting website lists the average monthly bowel incontinence diapers is \$70 to \$210 per month, for a yearly cost of \$840 to \$2,520.

B&P estimates that total annual sales for urinary incontinence adult diapers would be approximately \$326,914,200 (272,429 people x \$1,200 annual cost) up to \$784,594,080 (272,429 people x \$2,880 annual cost).

B&P further estimates that the total annual sales for bowel incontinence adult diapers would be \$73,228,781 (87,177 people x \$840 annual cost) up to \$219,686,342 (87,177 people x \$2,520 annual cost).

Therefore, B&P estimates total sales of \$400,142,981 (\$326,914,200 + \$73,228,781) up to \$1,004,280,422 (\$784,594,080 + \$219,686,342) may be impacted by this proposal. B&P estimates that this provision could reduce TSR by \$16,906,041 to \$42,430,848 annually. Using the population weighted average sales tax rate of 4.07% for 2022, B&P further estimates that this provision could reduce local sales tax collections by \$16,285,819 to \$40,874,213 annually.

Summary

B&P estimates that this proposal may reduce TSR by \$22,327,081 to \$49,631,171 during FY24. Once fully implemented in FY25, this proposal may reduce TSR by \$26,792,497 to \$59,557,405 annually. In addition, this proposal could reduce local sales taxes by \$25,809,577 to \$57,372,459 annually. Table 1 shows the estimated impact by provision and fund.

Table 1: Total Estimated Loss by Provision and Fund

State Fund	FY24		FY25+	
General Revenue				
Feminine Hygiene	(2,230,074)	(5,270,658)	(2,676,089)	(6,324,790)
Diapers - Child	(3,619,900)	(4,863,399)	(4,343,880)	(5,836,079)
Diapers - Adult	(10,003,575)	(25,107,011)	(12,004,289)	(30,128,413)
Total GR Loss	(15,853,549)	(35,241,068)	(19,024,258)	(42,289,282)
Education				
Feminine Hygiene	(743,358)	(1,756,886)	(892,030)	(2,108,263)
Diapers - Child	(1,206,633)	(1,621,133)	(1,447,960)	(1,945,360)
Diapers - Adult	(3,334,525)	(8,369,004)	(4,001,430)	(10,042,804)
Total Education Loss	(5,284,516)	(11,747,023)	(6,341,419)	(14,096,427)
Conservation				
Feminine Hygiene	(92,920)	(219,611)	(111,504)	(263,533)
Diapers - Child	(150,829)	(202,642)	(180,995)	(243,170)
Diapers - Adult	(416,816)	(1,046,125)	(500,179)	(1,255,351)
Total Conservation Loss	(660,565)	(1,468,378)	(792,677)	(1,762,053)
DNR				
Feminine Hygiene	(74,336)	(175,689)	(89,203)	(210,826)
Diapers - Child	(120,663)	(162,113)	(144,796)	(194,536)
Diapers - Adult	(333,452)	(836,900)	(400,143)	(1,004,280)
Total DNR Loss	(528,452)	(1,174,702)	(634,142)	(1,409,643)

Total TSR Loss	(22,327,081)	(49,631,171)	(26,792,497)	(59,557,405)
<u>Local Funds</u>				
Feminine Hygiene	(3,025,467)	(7,150,527)	(3,630,561)	(8,580,632)
Diapers - Child	(4,910,998)	(6,598,011)	(5,893,197)	(7,917,614)
Diapers - Adult	(13,571,516)	(34,061,844)	(16,285,819)	(40,874,213)
Total Local Loss	(21,507,981)	(47,810,382)	(25,809,577)	(57,372,459)

Oversight notes both DOR & B&P assume this proposal will have a negative fiscal impact to both state and local funds. Therefore, Oversight will show B&P’s and DOR’s lowest and highest projected fiscal estimates to show the minimum low and maximum impact of this proposal.

In response to SB 73 (2023), officials from the **City of Kansas City** assumed this proposal would have a negative fiscal impact of an indeterminable amount on their city.

Oversight notes the proposed exemption of diapers and feminine hygiene products from local sales tax would decrease the amount of sales tax revenue received by local political subdivisions. Therefore, Oversight will note the range of B&P and DOR’s estimates for all local political subdivisions on the fiscal note.

Section 144.058 Electricity Production Sales Tax Exemption

Officials from the **Department of Revenue** note this proposal exempts from state sales and use tax various inputs to the utilities industry. These exemptions include the utilities, chemicals, machinery, equipment, supplies, parts, and materials used by that industry. B&P notes that this proposal would not exempt such products from local sales taxes.

B&P assumes that the broad terms “parts and materials” exempt most inputs to production for the utilities.

DOR reports taxable sales in 2021 from various electrical utility related industries as shown below.

Method 1 - Lower Bound Estimates

Tax Type	SIC	NAICS	Description	CY 2019	Percent
Use	491, 493	221111	HYDROELECTRIC POWER GENERATION	\$67,433,811	100%
Use	491, 493	221112	FOSSIL FUEL ELECTRIC POWER GENERATION	\$0	100%
Use	491, 493	221113	Nuclear Electric Power Generation	\$0	100%

Use	491, 493	221114	Solar Electric Power Generation	\$0	100%
Use	491, 493	221115	Wind Electric Power Generation	\$0	100%
Use	491, 493	221116	Geothermal Electric Power Generation	\$0	100%
Use	491, 493	221117	Biomass Electric Power Generation	\$0	100%
Use	491, 493	221118	Other Electric Power Generation	\$0	100%
Use	491, 493	221121	ELECTRIC BULK POWER TRANSMISSION AND CONTROL	\$18,092,714	100%
Use	491, 493	221122	ELECTRIC POWER DISTRIBUTION	\$54,022,755	100%
Use	493	221210	NATURAL GAS DISTRIBUTION	\$24,047,495	100%
Sales	364	332216	Saw Blade and Hand tool Manufacturing	\$0	100%
Sales	369	333318	Other Commercial and Service Industry Machinery Manufacturing	\$0	60%
Sales	369	333992	Welding and Soldering Equipment Manufacturing	\$37,408	60%
Sales	364	335110	Electric Lamp Bulb and Part Manufacturing	\$0	100%
Sales	364	335121	Residential Electric Lighting Fixture Manufacturing	\$1,125,045	100%
Sales	364	335122	Commercial, Industrial, and Institutional Electric Lighting Fixture Manufacturing	\$0	100%
Sales	364, 369	335129	Other Lighting Equipment Manufacturing	\$0	60%
Sales	361	335311	Power, Distribution, and Specialty Transformer Manufacturing	\$12,884,552	100%
Sales	362	335312	Motor and Generator Manufacturing	\$2,362,762	100%
Sales	361	335313	Switchgear and Switchboard Apparatus Manufacturing	\$0	100%
Sales	362	335314	RELAY AND INDUSTRIAL CONTROL MANUFACTURING	\$123,528	100%
Sales	364	335931	Current-Carrying Wiring Device Manufacturing	\$1,999,974	100%
Sales	364	335932	Noncurrent-Carrying Wiring Device Manufacturing	\$0	100%
Sales	362	335991	Carbon and Graphite Product Manufacturing	\$0	100%

Sales	362, 369	335999	All Other Miscellaneous Electrical Equipment and Component Manufacturing	\$39,493,650	100%
Total Exempt Sales				\$221,623,693	

Based on this information, B&P estimates that this proposal could reduce TSR by \$9,363,602 (\$221,623,693 x 4.225%) and GR by \$6,648,711 (\$221,623,693 x 3.0%) annually. B&P notes, however, that this method of estimation likely does not capture all the taxable sales that would become exempt under this proposal, and that this impact reflects the bottom of the range for the decrease in revenue.

In order to determine an upper-bound estimate for the reduction to state revenues, B&P utilized the US BEA Input-Output Use Tables¹. According to the Input-Output Use Tables, inputs from commodities that might qualify under these exemptions are roughly 25.0% of the total output of the “utilities” industry. In addition, DOR reports that taxable sales of electric related utilities in 2021 were about \$4,745,325,173. This suggests that this proposal might exempt \$1,187,127,714 in taxable sales from taxation.

Method 2 - Upper Bound Estimate

SIC	NAICS	Description	CY 2019
491, 493	221111	HYDROELECTRIC POWER GENERATION	\$1,906,978,672
491, 493	221112	FOSSIL FUEL ELECTRIC POWER GENERATION	\$44,542,910
491, 493	221113	Nuclear Electric Power Generation	\$0
491, 493	221114	Solar Electric Power Generation	\$0
491, 493	221115	Wind Electric Power Generation	\$0
491, 493	221116	Geothermal Electric Power Generation	\$0
491, 493	221117	Biomass Electric Power Generation	\$0
491, 493	221118	Other Electric Power Generation	\$0
491, 493	221121	ELECTRIC BULK POWER TRANSMISSION AND CONTROL	\$29,154,298
491, 493	221122	ELECTRIC POWER DISTRIBUTION	\$2,296,158,628

¹ http://www.bea.gov/industry/io_annual.htm

492, 493	221210	NATURAL GAS DISTRIBUTION	\$468,490,665
492	486210	PIPELINE TRANSPORTATION OF NATURAL GAS	\$0
Total Sales			\$4,745,325,173
BEA Input / Output Adjustment			25.0%
Total Exempt Sales			\$1,187,127,714

B&P estimates that this could reduce TSR by \$50,156,146 ($\$1,187,127,714 \times 4.225\%$) and GR by \$35,613,831 ($\$1,187,127,714 \times 3.0\%$) annually. B&P notes, however, that this method may overestimate the true reduction to state revenues by including items that would not become tax exempt under this proposal.

Therefore, using both the taxable sales reports provided by DOR and the US BEA Input-Output Use Tables, B&P estimates that this proposal could reduce TSR by \$9,363,602 to \$50,156,146 annually and GR by \$6,648,711 to \$35,613,831 once fully implemented in FY25.

Table 3: State Impacts by Fund

Fund	FY 2024		FY 2025+	
	Low	High	Low	High
GR	(\$5,540,593)	(\$29,678,193)	(\$6,648,711)	(\$35,613,831)
Education	(\$1,846,864)	(\$9,892,731)	(\$2,216,237)	(\$11,871,277)
Conservation	(\$230,858)	(\$1,236,592)	(\$277,030)	(\$1,483,910)
DNR	(\$184,687)	(\$989,273)	(\$221,624)	(\$1,187,128)
TSR Impact	(\$7,803,002)	(\$41,796,789)	(\$9,363,602)	(\$50,156,146)

Officials from the **Department of Revenue** assume this proposal will require updates to their tax computer system and website. These changes are estimated at \$7,193.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal exempts from state and local sales and use tax various inputs to the utilities industry. These exemptions include the utilities, chemicals, machinery, equipment, supplies, parts, and materials used by that industry.

B&P assumes that the broad terms “parts and materials” exempt most inputs to production for the utilities.

DOR reports taxable sales in 2021 from various electrical utility related industries as shown below.

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Sales	364	335932	Noncurrent-Carrying Wiring Device Manufacturing	\$0	100%
Sales	362	335991	Carbon and Graphite Product Manufacturing	\$0	100%
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Total Exempt Sales				\$221,623,693	

Based on this information, B&P estimates that this proposal could reduce TSR by \$9,363,602 (\$221,623,693 x 4.225%) and GR by \$6,648,711 (\$221,623,693 x 3.0%) annually. B&P notes, however, that this method of estimation likely does not capture all the taxable sales that would become exempt under this proposal, and that this impact reflects the bottom of the range for the decrease in revenue.

In order to determine an upper-bound estimate for the reduction to state revenues, B&P utilized the US BEA Input-Output Use Tables². According to the Input-Output Use Tables, inputs from commodities that might qualify under these exemptions are roughly 25.0% of the total output of the “utilities” industry. In addition, DOR reports that taxable sales of electric related utilities in 2021 were about \$4,745,325,173. This suggests that this proposal might exempt \$1,187,127,714 in taxable sales from taxation.

Method 2 - Upper Bound Estimate

SIC	NAICS	Description	CY 2019
491, 493	221111	HYDROELECTRIC POWER GENERATION	\$1,906,978,672
491, 493	221112	FOSSIL FUEL ELECTRIC POWER GENERATION	\$44,542,910
491, 493	221113	Nuclear Electric Power Generation	\$0
491, 493	221114	Solar Electric Power Generation	\$0
491, 493	221115	Wind Electric Power Generation	\$0
491, 493	221116	Geothermal Electric Power Generation	\$0

² http://www.bea.gov/industry/io_annual.htm

491, 493	221117	Biomass Electric Power Generation	\$0
491, 493	221118	Other Electric Power Generation	\$0
491, 493	221121	ELECTRIC BULK POWER TRANSMISSION AND CONTROL	\$29,154,298
491, 493	221122	ELECTRIC POWER DISTRIBUTION	\$2,296,158,628
492, 493	221210	NATURAL GAS DISTRIBUTION	\$468,490,665
492	486210	PIPELINE TRANSPORTATION OF NATURAL GAS	\$0
Total Sales			\$4,745,325,173
BEA Input / Output Adjustment			25.0%
Total Exempt Sales			\$1,187,127,714

B&P estimates that this could reduce TSR by \$50,156,146 ($\$1,187,127,714 \times 4.225\%$) and GR by \$35,613,831 ($\$1,187,127,714 \times 3.0\%$) annually. B&P notes, however, that this method may overestimate the true reduction to state revenues by including items that would not become tax exempt under this proposal.

Therefore, using both the taxable sales reports provided by DOR and the US BEA Input-Output Use Tables, B&P estimates that this proposal could reduce TSR by \$9,363,602 to \$50,156,146 annually and GR by \$6,648,711 to \$35,613,831 once fully implemented in FY25. This proposal may also reduce local sales tax collections by \$9,020,084 to \$48,316,098 annually.

Table 3: Estimated Impact by Fund

Fund	FY 2024		FY 2025+	
	Low	High	Low	High
GR	(\$5,540,593)	(\$29,678,193)	(\$6,648,711)	(\$35,613,831)
Education	(\$1,846,864)	(\$9,892,731)	(\$2,216,237)	(\$11,871,277)
Conservation	(\$230,858)	(\$1,236,592)	(\$277,030)	(\$1,483,910)
DNR	(\$184,687)	(\$989,273)	(\$221,624)	(\$1,187,128)
TSR Impact	(\$7,803,002)	(\$41,796,789)	(\$9,363,602)	(\$50,156,146)
Local Loss	(\$7,516,737)	(\$40,263,415)	(\$9,020,084)	(\$48,316,098)

Sections 144.813 and 144.030(18) Medical Sales Tax Exemptions

Officials from the **Office of Administration - Budget and Planning (B&P)** note the following:

Rolling Conformity with Social Security Act

This proposal would create a rolling sales tax exemption conformity for all medical equipment covered by Medicare. Currently, the Missouri sales tax exemption is limited to those items that were covered as of January 1, 1980. This proposal would expand the sales tax exemption to all devices covered by Medicare now and in the future. Therefore, this provision could result in forgone revenue in the future. B&P is unable to determine when or how much revenue may be forgone by creating the rolling conformity.

As of December 2022, B&P is aware of two potential devices that would become tax exempt as a result of this provision. One device is used to treat glioblastoma and mesothelioma, while the other device is used for brain aneurysm embolization. B&P will include cost estimates for the lost sales tax revenue from these devices.

Cancer Devices

This proposal would exempt class III medical devices that use electric fields in the treatment of cancer from state and local sales and use taxes. This would also exempt the components, repair, and disposable patient supplies used with such devices. This exemption would begin August 28, 2023.

B&P notes that there are currently two such FDA devices approved. The first device is used to treat glioblastoma and the second device is used to treat mesothelioma. Based on data published by the manufacturer, B&P estimates that approximately 7.2% of glioblastoma patients use the qualifying device. B&P was unable to estimate the usage rate for mesothelioma. For the purpose of this fiscal note, B&P will assume that the usage rate is the same 7.2% found for glioblastoma patients.

Based on information published by the CDC, there were 466 individuals with brain and other nervous system cancers in Missouri during 2019, the most recent year available. Based on further research, B&P determined that glioblastoma cancer accounts for 17% of all brain and nervous system cancers. Therefore, B&P estimates that approximately 79 individuals in Missouri (466 brain and nervous system cancers x 17%) may have glioblastoma. Based on further information published by the CDC, there were 55 cases of mesothelioma in Missouri during 2019.

Assuming that Missouri cancer patients use the qualifying class III medical devices at the same rate as patients outside of Missouri, B&P estimates that approximately 6 individuals with glioblastoma (79 Missouri glioblastoma patients x 7.2% device usage) and 4 individuals with mesothelioma (55 Missouri mesothelioma patients x 7.2% device usage) per year may qualify for this sales tax exemption.

Based on additional research, B&P determined that the average cost of using the qualifying class III medical device is approximately \$21,000 per month, or \$252,000 per year (\$21,000 per month x 12). Therefore, B&P estimates that this proposal may exempt \$2,520,000 [(6

glioblastoma patients x \$252,000 per year costs) + (4 mesothelioma patients x \$252,000 per year costs)] in sales from state and local sales taxes.

Based on the above information, B&P estimates that this provision may reduce TSR by \$106,470 and GR by \$75,600 per year. Using the 2022 population weighted local sales tax rate of 4.07%, B&P further estimates this proposal may reduce local sales tax collections by \$102,564 per year.

Embolization Devices

Approximately 300,000 people in the U.S. have a ruptured brain aneurysm each year. B&P notes that there is a newly FDA approved device used to treat brain aneurysms. Assuming that the incidence of ruptured brain aneurysms is similar throughout the U.S., B&P assumes that 570 Missouri residents suffer from a ruptured brain aneurysm each year.

Based on data published by the manufacturer, this new embolization device costs about \$1,000. Therefore, B&P estimates that this proposal could exempt \$570,000 (570 patients x \$1,000 treatment) in sales from state and local taxation.

Based on the above information, B&P estimates that this provision may reduce TSR by \$24,083 and GR by \$17,100 per year. Using the 2022 population weighted local sales tax rate of 4.07%, B&P further estimates this proposal may reduce local sales tax collections by \$23,199 per year.

Wheelchair accessories

This proposal would also exempt wheelchair accessories. B&P notes that some accessories may already be exempt if they are attached to the wheelchair when purchases. However, such accessory may be subject to tax if purchased separately from a wheelchair. Due the complex taxability and limited sales data, B&P is unable to determine a potential impact from this provision. However, B&P anticipates that state and local revenue loss would be minimal.

Summary

B&P estimates that this proposal may reduce TSR by an amount that could exceed \$130,553 and GR by an amount that could exceed \$92,700 per year. Using the 2022 population weighted local sales tax rate of 4.07%, B&P further estimates this proposal may reduce local sales tax collections by an amount that could exceed \$125,763 per year.

Table 1: Estimated Impact by Fund

	FY 2024	FY 2025+
<u>State Funds</u>		
General Revenue	Could exceed (\$77,250)	Could exceed (\$92,700)
Education (SDTF)	Could exceed (\$25,750)	Could exceed (\$30,900)
Conservation	Could exceed (\$3,219)	Could exceed (\$3,863)
DNR	Could exceed (\$2,575)	Could exceed (\$3,090)
Total State Revenues	Could exceed (\$108,794)	Could exceed (\$130,553)

<u>Local Impact</u>		
Local Sales Tax	Could exceed (\$104,803)	Could exceed (\$125,763)

Officials from the **Department of Revenue (DOR)** note the following: Section 144.030 outlines all the products that are exempt from sales tax. In Section 144.030.2(18) the sales of all durable medical equipment as defined on January 1, 1980 by the Medicare program is exempt. This current wording allows the state to have rolling compliance with the Medicare program however, it is limited to only as the Medicare program existed in 1980. Due to medical advances, new products have been brought on the market that are considered durable medical goods at the federal level but not at the state level. As of December 2022, the Department is aware of two such devices; one device used to treat glioblastoma and mesothelioma and a second device is an embolization device used to prevent brain aneurysms.

This proposal would remove the limitation that the device have been covered as of January 1, 1980. This proposal may expand the sales tax exemption to new devices in the future and result in forgone revenue in the future. The Department is not able to estimate the impact from future devices being sales tax exempt. The Department will estimate the impact from the two devices DOR knows about.

Brain Cancer Devices & Section 144.813

This proposal would allow the sales of all class III medical devices that use electric fields for the purposes of the treatment of cancer to be exempt from all state and local sales and use taxes. This exemption would begin August 28, 2023. Class III medical devices are those devices that have a high risk to the patient and/or user. These devices usually sustain or support life, are implanted, or present potential unreasonable risk of illness or injury. They represent 10% of medical devices regulated by the FDA. These devices are used for treating glioblastoma and mesothelioma.

The Department is aware that one company makes two devices, one for glioblastoma and one that treats mesothelioma. These devices cost approximately \$21,000 a month each or \$252,000 annually. The manufacturer estimates that approximately 7.2% of all patients with these conditions use their product. According to the CDC approximately 466 individuals have brain and other nervous system cancers and 55 individuals have mesothelioma in Missouri.

Since glioblastoma accounts for about 17% of all brain cancers, DOR will assume that 79 Missourians have glioblastoma and 55 have mesothelioma.

Applying the 7.2% percentage to the number of Missouri residents with these conditions DOR estimates that 6 Missourians are using it for glioblastoma and 4 are using it for mesothelioma and will qualify for the sales tax exemption annually.

At a cost of \$252,000 per year per person, DOR notes that this would result in taxable sales of \$2,520,000. This proposal removes both the state sales tax (4.225%) and the local sales tax

(4.07% weighted average local tax rate). This would result in a loss to the state of \$106,470 in total state revenue.

		10/12 Year	Full Year
General Revenue	3%	(\$63,000)	(\$75,600)
School District Trust	1%	(\$21,000)	(\$25,200)
Conservation Commission	0.125%	(\$2,625)	(\$3,150)
Park, Soil & Water	0.10%	(\$2,100)	(\$2,520)
Total State Revenue		(\$88,725)	(\$106,470)
Local	4.07%	(\$85,470)	(\$102,564)

Embolization Devices

The Department is aware there is a device that is used to treat brain aneurysms. It is an embolization device that costs about \$1,000.

Approximately 300,000 people in the U.S., and 570 in Missouri have a ruptured brain aneurysm each year. Therefore, up to \$570,000 (\$570 patients * \$1,000 device) could be exempt from state and local taxes annually.

The Department estimates that this provision may reduce total state revenue by \$24,083 per year.

		10/12 Year	Full Year
General Revenue	3.00%	(\$14,250)	(\$17,100)
School District Trust	1.00%	(\$4,750)	(\$5,700)
Conservation Commission	0.125%	(\$594)	(\$713)
Park, Soil & Water	0.10%	(\$475)	(\$570)
Total State Revenue		(\$20,069)	(\$24,083)
Local	4.07%	(\$19,333)	(\$23,199)

Wheelchair accessories

This proposal would add wheelchair accessories to the list of devices that will be considered tax exempt. Wheelchairs and some accessories are already tax exempt while other accessories are not. The Department notes that when most accessories are purchased with the wheelchair, such as a seatbelt or restraints those accessories are tax exempt. However, sometimes when a taxpayer buys those accessories later those accessories may be subject to sales tax. This proposal will make it clear that all the accessories are considered tax exempt regardless of when purchased. Due to the limited sales tax the impact of this provision is unknown but it is anticipated to be minimal.

These provisions would require a change to the sales and use tax forms, to their website and to their tax computer system. The estimated costs of these changes is \$14,386.

Officials from the **Office of Administration - Budget and Planning (B&P)** note Section 144.813 would exempt certain class III medical devices from state and local sales tax. B&P notes that these devices would become exempt under the rolling conformity created under Section 144.030. Therefore, this section will not have any additional impact on TSR.

Oversight notes this proposed sale tax exemption could impact the local sales tax revenue to all localities. Therefore, Oversight will note B&P and DOR's estimates for all local political subdivisions on the fiscal note.

Responses regarding the proposed legislation as a whole

Oversight will show the one-time costs for the form, website, and upgrades to DOR's sales and income tax systems for all sections in this proposal estimated at \$35,965 in FY 2024.

Officials from the **Department of Natural Resources** defer to the **Department of Revenue** for the potential fiscal impact of this proposal.

Oversight notes the Park, Soil, and Water Sales Tax funds are derived from the one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR's sales taxes are constitutional mandates. The proposed sales tax exemptions may reduce the amount of sales tax revenue distributed to this fund. Therefore, Oversight will reflect the B&P's and DOR's fiscal impact estimates for DNR's funds.

Oversight notes that the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax of the Missouri Constitution, thus MDC's sales taxes are constitutional mandates. The proposed sales tax exemptions may reduce the amount of sales tax revenue distributed to this fund. Therefore, Oversight will reflect the B&P's and DOR's fiscal impact estimates for MDC's funds.

The **City of Springfield** anticipates a negative fiscal impact of an undetermined amount due to several exemptions from local sales tax.

Officials from the **Department of Commerce and Insurance** and the **Department of Health and Senior Services** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Officials from the **Hancock Street Light District** assume the proposal will have no fiscal impact on their organization.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note 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 \$5,000. 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 its 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 only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
<u>Revenue Reduction</u> - §135.647 – Local Food Pantry Tax Credit p. (4)	Up to (\$1,000,000)	Up to (\$1,000,000)	Up to (\$1,000,000)
<u>Revenue Reduction</u> - §144.014 – Reduction in DOR 1% Collection Fee p. (5,7)	(\$9,316,518)	(\$12,422,024)	(\$12,422,024)
Revenue Reduction - §144.030(47) - Exemption of sales tax on child diapers p. (9&13)	(\$1,976,679 to \$4,863,399)	(\$2,372,015 to \$5,836,079)	(\$2,372,015 to \$5,836,079)
Revenue Reduction - §144.030(47) - Exemption of sales tax on adult diapers p. (13)	(\$10,003,575 to \$25,107,011)	(\$12,004,289 to \$30,128,413)	(\$12,004,289 to \$30,128,413)

<u>Revenue Reduction</u> - §144.030(48) - Exemption of sales tax on feminine hygiene products p. (13)	(\$2,230,074 to \$5,270,658)	(\$2,676,089 to \$6,324,790)	(\$2,676,089 to \$6,324,790)
<u>Revenue Reduction</u> - §144.058 - Sales/Use Tax exemption for production of electricity p. (17,20)	(\$5,540,593 to \$29,678,193)	(\$6,648,711 to \$35,613,831)	(\$6,648,711 to \$35,613,831)
<u>Revenue Reduction</u> - §144.030 Brain cancer device sales tax exemption p. (23)	(\$63,000)	(\$75,600)	(\$75,600)
<u>Revenue Reduction</u> - §144.030 Embolization device sales tax exemption p. (24)	(\$14,250)	(\$17,100)	(\$17,100)
<u>Revenue Reduction</u> - §144.813 Rolling conformity for Medicare exemptions p. (20)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Revenue Reduction</u> - §144.813 Wheelchair accessories sales tax exemption p. (24)	(Unknown)	(Unknown)	(Unknown)
<u>Costs</u> – DOR – Form and computer upgrades p. (25)	(\$35,965)	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Could exceed (\$30,180,654 to \$75,348,994)</u>	<u>Could exceed (\$37,215,828 to \$91,417,837)</u>	<u>Could exceed (\$37,215,828 to \$91,417,837)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue Reduction</u> - §144.014 – Sales Tax Exemption of Food p. (6)	(\$115,680,842)	(\$154,241,122)	(\$154,241,122)
<u>Revenue Reduction</u> - §144.030(47) - Exemption of sales tax on child diapers p. (9&13)	(\$658,893 to \$1,621,133)	(\$790,672 to \$1,945,360)	(\$790,672 to \$1,945,360)

Revenue Reduction - §144.030(47) - Exemption of sales tax on adult diapers p. (13)	(\$3,334,525 to \$8,369,004)	(\$4,001,430 to \$10,042,804)	(\$4,001,430 to \$10,042,804)
<u>Revenue Reduction</u> - §144.030(48) - Exemption of sales tax on feminine hygiene products p. (13)	(\$743,358 to \$1,756,886)	(\$892,030 to \$2,108,263)	(\$892,030 to \$2,108,263)
Revenue Reduction - §144.058 - Sales/Use Tax exemption for production of electricity p. (17,20)	(\$1,846,864 to \$9,892,731)	(\$2,216,237 to \$11,871,277)	(\$2,216,237 to \$11,871,277)
<u>Revenue Reduction</u> - §144.030 Brain cancer device sales tax exemption p. (23)	(\$21,000)	(\$25,200)	(\$25,200)
<u>Revenue Reduction</u> - §144.030 Embolization device sales tax exemption p. (24)	(\$4,750)	(\$5,700)	(\$5,700)
<u>Revenue Reduction</u> - §144.813 Rolling conformity for Medicare exemptions p. (20)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Revenue Reduction</u> - §144.813 Wheelchair accessories sales tax exemption p. (24)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>Could exceed</u> <u>(\$122,290,232</u> <u>to</u> <u>\$137,346,346)</u>	<u>Could exceed</u> <u>(\$162,172,391 to</u> <u>\$180,239,726)</u>	<u>Could exceed</u> <u>(\$162,172,391 to</u> <u>\$180,239,726)</u>
PARKS AND SOILS STATE SALES TAX FUNDS			
<u>Revenue Reduction</u> - §144.014 – Sales Tax Exemption of Food p. (6)	(\$11,568,084)	(\$15,424,112)	(\$15,424,112)

Revenue Reduction - §144.030(47) - Exemption of sales tax on child diapers p. (9&13)	(\$65,889 to \$162,113)	(\$96,857 to \$196,782)	(\$96,857 to \$196,782)
Revenue Reduction - §144.030(47) - Exemption of sales tax on adult diapers p. (13)	(\$333,452 to \$836,900)	(\$400,143 to \$1,004,280)	(\$400,143 to \$1,004,280)
Revenue Reduction - §144.030(48) - Exemption of sales tax on feminine hygiene products p. (13)	(\$74,336 to \$175,689)	(\$89,203 to \$210,826)	(\$89,203 to \$210,826)
Revenue Reduction - §144.058 - Sales/Use Tax exemption for production of electricity p. (17,20)	(\$184,687 to \$989,273)	(\$221,624 to \$1,187,128)	(\$221,624 to \$1,187,128)
Revenue Reduction - §144.030 Brain cancer device sales tax exemption p. (23)	(\$2,100)	(\$2,520)	(\$2,520)
Revenue Reduction - §144.030 Embolization device sales tax exemption p. (24)	(\$475)	(\$570)	(\$570)
Revenue Reduction - §144.813 Rolling conformity for Medicare exemptions p. (20)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
Revenue Reduction - §144.813 Wheelchair accessories sales tax exemption p. (24)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS	<u>Could exceed (\$12,229,023 to \$13,734,634)</u>	<u>Could exceed (\$16,235,029 to \$18,026,218)</u>	<u>Could exceed (\$16,235,029 to \$18,026,218)</u>
CONSERVATION COMMISSION FUND			

<u>Revenue Reduction</u> - §144.014 – Sales Tax Exemption of Food p. (6)	(\$14,460,105)	(\$19,280,140)	(\$19,280,140)
Revenue Reduction - §144.030(47) - Exemption of sales tax on child diapers p. (9&13)	(\$80,714 to \$202,642)	(\$96,857 to \$243,170)	(\$96,857 to \$243,170)
Revenue Reduction - §144.030(47) - Exemption of sales tax on adult diapers p. (13)	(\$416,816 to \$1,046,125)	(\$500,179 to \$1,255,351)	(\$500,179 to \$1,255,351)
<u>Revenue Reduction</u> - §144.030(48) - Exemption of sales tax on feminine hygiene products p. (13)	(\$92,920 to \$219,611)	(\$111,504 to \$263,533)	(\$111,504 to \$263,533)
Revenue Reduction - §144.058 - Sales/Use Tax exemption for production of electricity p. (17,20)	(\$230,858 to \$1,236,592)	(\$277,030 to \$1,483,910)	(\$277,030 to \$1,483,910)
<u>Revenue Reduction</u> - §144.030 Brain cancer device sales tax exemption p. (23)	(\$2,625)	(\$3,150)	(\$3,150)
<u>Revenue Reduction</u> - §144.030 Embolization device sales tax exemption p. (24)	(\$594)	(\$713)	(\$713)
<u>Revenue Reduction</u> - §144.813 Rolling conformity for Medicare exemptions p. (20)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Revenue Reduction</u> - §144.813 Wheelchair accessories sales tax exemption p. (24)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>Could exceed</u> <u>(\$15,284,632 to</u> <u>\$17,168,294)</u>	<u>Could exceed</u> <u>(\$20,269,573 to</u> <u>\$22,529,967)</u>	<u>Could exceed</u> <u>(\$20,269,573 to</u> <u>\$22,529,967)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Reduction</u> - §144.014 – Sales Tax Exemption of Food p. (6)	(\$987,455,100)	(\$1,316,606,800)	(\$1,316,606,800)
<u>Revenue Loss</u> - §144.030 Diaper & Feminine Hygiene Product Sales Tax Exemption p. (9-13)	(\$21,507,981 to \$47,810,382)	(\$25,809,577 to \$57,372,459)	(\$25,809,577 to \$57,372,459)
<u>Revenue Reduction</u> - §144.058 - Sales/Use Tax exemption for production of electricity p. (17,20)	(\$7,516,737 to \$40,263,415)	(\$9,020,084 to \$48,316,098)	(\$9,020,084 to \$48,316,098)
<u>Revenue Reduction</u> - §144.030 Brain cancer device sales tax exemption p. (23)	(\$85,470)	(\$102,564)	(\$102,564)
<u>Revenue Reduction</u> - §144.030 Embolization device sales tax exemption p. (24)	(\$19,333)	(\$23,199)	(\$23,199)
<u>Revenue Reduction</u> - §144.813 Rolling conformity for Medicare exemptions p. (20)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Revenue Reduction</u> - §144.813 Wheelchair accessories sales tax exemption p. (24)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>Could exceed</u> <u>(\$1,016,584,621</u> <u>to</u> <u>\$1,075,633,700)</u>	<u>Could exceed</u> <u>(\$1,351,562,224</u> <u>to</u> <u>\$1,422,421,120)</u>	<u>Could exceed</u> <u>(\$1,351,562,224</u> <u>to</u> <u>\$1,422,421,120)</u>

FISCAL IMPACT – Small Business

Businesses who sell items that qualify for the sales tax exemptions under this proposed legislation could be impacted, as they would no longer be required to remit the tax on such items.

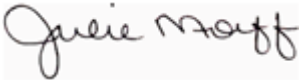
FISCAL DESCRIPTION

The proposed legislation modifies provisions relating to taxation.

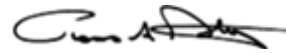
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning
Department of Natural Resources
Missouri Department of Conservation
Department of Commerce and Insurance
City of Kansas City
City of Springfield
St Louis Budget Division



Julie Morff
Director
April 24, 2023



Ross Strobe
Assistant Director
April 24, 2023