COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4228H.05C
Bill No.: HCS for HB 1427
Subject: Taxation and Revenue - General; Taxation and Revenue - Sales and Use; Bingo; Department of Revenue; Gambling; Department of Public Safety
Type: Original
Date: March 6, 2024

Bill Summary: This proposal modifies provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	(Unknown, could be substantial)	(Unknown, could be substantial)	(Unknown, could be substantial)
Total Estimated Net Effect on General Revenue	**(Unknown, could be substantial)**	**(Unknown, could be substantial)**	**(Unknown, could be substantial)**

* Oversight assumes the unknown loss of revenue would exceed $250,000 annually.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
School District Trust	(Unknown greater than $23,899)	(Unknown greater than $31,865)	(Unknown greater than $31,865)
Park, Soil, and Water	(Unknown greater than $2,390)	(Unknown greater than $3,187)	(Unknown greater than $3,187)
Conservation Commission	(Unknown greater than $2,988)	(Unknown greater than $3,983)	(Unknown greater than $3,983)
Bingo Proceeds for Education	($1,134,708)	($1,335,491)	($1,310,640)
Total Estimated Net Effect on Other State Funds	**(Unknown greater than $1,163,985)**	**(Unknown greater than $1,374,526)**	**(Unknown greater than $1,349,675)**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Local Government	**(Unknown greater than $151,046)**	**(Unknown greater than $201,396)**	**(Unknown greater than $201,396)**

FISCAL ANALYSIS

ASSUMPTION

§143.121 Qualified Research Income Tax Addition/Subtraction

Officials from the **Department of Revenue (DOR)** note under federal law a business is allowed to subtract from their Federal Adjusted Gross Income (FAGI) some of their qualified research expenses allowed per 26 U.S.C Section 174(a)(2)(B). The starting line on the Missouri individual income tax return is your FAGI number. Any deductions or subtractions at the federal level, means less taxable income on the Missouri Return.

This proposal would require those same businesses to add the deducted income back into their FAGI for calculating their Missouri adjusted gross income (MAGI). Then the proposal allows the same business to subtract their entire qualified research expenditures that are charged to a capital account.

This proposal is to become effective starting August 28, 2024. However, this proposal is backdating these changes to January 1, 2022. The backdating of the changes will require businesses to file amended returns. DOR assumes these amended returns will be received after August 2024, and therefore the first fiscal impact will be in FY 2025.

This proposal is in response to changes made regarding the reporting of qualified research expenditures under the Tax Cuts & and Jobs Act (TCJA). Prior to the passage of the TCJA in December 2017, businesses were allowed to decide how they wanted to report their qualified research expenditures. They could deduct their total expenses in a single year or amortize the expenses over a period of years. DOR notes that a provision in the TCJA prohibits the full deduction in year 1. Implementation of this provision went into effect starting January 1, 2022. Businesses now must amortize over time. Per numerous articles and reports written, most businesses choose to do the deduction in the first year.

When a business is allowed to remove the qualified research expenditures from their federal taxable income in a single year, it results in the business having a smaller tax liability in Missouri. The starting point on the Missouri tax return is with your FAGI. By having the businesses place all their income back onto the Missouri the department will be able to see what was reported before. Then allowing them the subtraction, will allow them to deduct their expenses in a single year, lowering their taxable income in Missouri.

DOR was unable to provide a single source on the amount of qualified research expenditures reported. DOR is also unable to predict the number of companies or the amount of expenses they will claim. This could potentially result in a loss to general revenue of over $1,000,000.

This proposal creates a new addition and subtraction that would require 2 new lines being added to the Form MO-A ($7,138), updates to the department's website and changes to the individual income tax computer system ($1,785). These changes are estimated to cost $8,923. DOR's existing tax credit staff is no longer able to take on any additional additions and subtractions without additional resources. Due to the intensive knowledge of what will qualify as an allowed expense means DOR is not able to use temporary staff to help with processing these returns. This proposal would require at least 1 FTE Associate Customer Service Rep at a salary of $35,880.

During the preparation of the fiscal note, it was announced that the U.S. House of Representatives had passed the Tax Relief for America Families and Workers Act of 2024. This Act contains the language needed to fix this issue at the federal level starting January 1, 2022. Should this Act be signed into law, then HB 2457 would become moot.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would decouple Missouri from the federal research and development (R&D) deduction. B&P notes that prior to January 1, 2022, businesses were allowed to fully deduct expenses in the first year they were incurred. However, since January 1, 2022, businesses have been required to amortize those costs over five years (fifteen years for foreign research). B&P further notes that Missouri has rolling conformity with the federal R&D deduction. When a business claims this deduction on their federal return, they also receive the tax benefit on their state return.

Section 143.121.3(14) would allow businesses with Missouri income tax to deduct the full amount of R&D expenses in the first year incurred. Section 143.121.2(7) requires taxpayers to add any amount of R&D expenses deducted from the Federal adjusted gross income (FAGI). Taxpayers are required to add that amount to the Missouri adjusted gross income (MAGI) to prevent taxpayers from receiving the same deduction twice. Section 143.121.2(7) also requires taxpayer to reduce their R&D deduction by the amount of any R&D tax credit received. This is consistent with current law and again prevents taxpayers from receiving a tax benefit for the same expenses twice.

B&P was unable to find enough reliable data to estimate the potential revenue impact from this provision. However, the potential loss to GR could be significant.

Given the number of returns which might be affected, **Oversight** will show DOR's abovementioned 1 FTE for purposes of this fiscal note. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Oversight notes officials from the Department of Revenue assume this proposal will have a negative fiscal impact on state revenue. Oversight does not have any information to the contrary. Therefore, Oversight will show DOR's estimated impact on the fiscal note.

§§144.030 & 144.615 – Sales/Use Tax Exemption for Used Tangible Personal Property

Officials from the **Department of Revenue (DOR)** note this proposal attempts to exempt from sales and use tax items that are considered used tangible personal property. It defines "used tangible personal property" as an item that is sold a second time or another consecutive time at an auction.

Currently when an item is purchased the customer owes sales or use tax on the item and each time it is resold, sales or use tax is owed. Whether you pay sales or use tax on the item depends on the business' nexus with the state. This proposal will exempt from sales tax an item that is used and sold at a second auction. Therefore, when it was purchased, the item would have been subject to tax and the first time it is auctioned off it would be subject to tax and then if it is auctioned off a second time then it would be tax exempt.

The DOR is unsure how auction houses would know if an item was previously auctioned off, so they won't have to collect the sales tax in their second auction. If they are able to track such information, then this could result in an unknown minimal loss to the state and local sales tax funds.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would exempt items sold at an auction for the second or more time from state and local sales and use tax. B&P notes that as written, the language would only exempt used property that has been sold at auctions multiple times. This proposal would not exempt the first sale at auction or other, non-auction, sales from state and local sales and use tax.

B&P is unsure how taxpayers would be able to verify that items have been sold at least one prior auction in order to determine whether that item is exempt from tax. Therefore, B&P estimates that this proposal could have an unknown, likely minimal, impact on state and local sales tax collections.

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. Oversight assumes the proposed sales tax exemption may decrease 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. Based on information from the Department of Revenue, Oversight does not expect the fiscal impact to reach the ($250,000) threshold.

In response to similar legislation from the current session (HB 1947), officials from the **Missouri Department of Conservation** assumed an unknown fiscal impact. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section

43 (a) of the Missouri Constitution. The Department defers to the Department of Revenue as it is responsible for tax collection and would be better able to estimate the anticipated fiscal impact that would result from this proposal.

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. Oversight assumes the proposed sales tax exemption may decrease 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. Based on information from the Department of Revenue, Oversight does not expect the fiscal impact to reach the ($250,000) threshold.

Officials from the **City of Kansas City** assume this legislation could have a detrimental fiscal impact of an indeterminate amount.

Oversight notes the above local political subdivision stated this proposal would have a negative fiscal impact on their city of an indeterminate amount. Oversight will reflect an unknown negative fiscal impact to all local political subdivisions beginning in FY 2025.

Oversight notes officials from B&P and DOR both assume the proposal will have an unknown, likely minimal, impact on state and local sales tax collections. Oversight does not have any information to the contrary. Therefore, Oversight will reflect DOR's and B&P's estimated impact in the fiscal note.

Officials from the **Phelps County Sheriff's Department**, the **Kansas City Police Department**, the **St. Louis County Police Department** and the **Eureka Fire Protection District - St. Louis** each assume the proposal will have no fiscal impact on their respective organizations.

§§144.030 & 144.813- Medical Device Sales Tax Exemption

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, 2024.

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 National Cancer Institute, there were 467 individuals with brain and other nervous system cancers in Missouri during 2020, 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 (467 brain and nervous system cancers x 17%) may have glioblastoma.

Based on further information published by the National Cancer Institute, there were 34,586 cases of cancer in Missouri during 2020, the most recent year available. Based on information published by the CDC, mesothelioma accounts for 0.16% of all cancers. Therefore, B&P estimates that approximately 55 individual in Missouri (34,568 cancer cases x 0.16%) may have mesothelioma.

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 location* weighted average local sales tax rate of 6.32% for 2023, B&P further estimates this proposal may reduce local sales tax collections by $159,264 per year.

*In an effort to more accurately reflect the estimated local impact, B&P and DOR have moved from a population weighted average local sales tax rate to a location weighted average local sales tax rate. This change was made to reflect where sales actually occur, rather than exclusively where people live.

<u>Embolization Devices</u>
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 556 Missouri residents suffer from a ruptured brain aneurysm each year.

Based on data published by the manufacture, this new embolization device costs $1,199. Therefore, B&P estimates that this proposal could exempt $666,533 (556 patients x $1,199 treatment) in sales from state and local taxation.

Based on the above information, B&P estimates that this provision may reduce TSR by $28,161 and GR by $19,996 per year. Using the location* weighted average local sales tax rate of 6.32% for 2023, B&P further estimates this proposal may reduce local sales tax collections by $42,125 per year.

*In an effort to more accurately reflect the estimated local impact, B&P and DOR have moved from a population weighted average local sales tax rate to a location weighted average local sales tax rate. This change was made to reflect where sales actually occur, rather than exclusively where people live.

<u>Wheelchair accessories</u>
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.

<u>Summary</u>
B&P estimates that this proposal may reduce TSR by an amount that could exceed $134,631 and GR by an amount that could exceed $95,596 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 $201,389 per year.

Table 1: Estimated Impact by Fund

	FY 2024		FY 2025+	
State Funds				
General Revenue	Could exceed	($71,697)	Could exceed	($95,596)
Education (SDTF)	Could exceed	($23,899)	Could exceed	($31,865)
Conservation	Could exceed	($2,988)	Could exceed	($3,983)
DNR	Could exceed	($2,390)	Could exceed	($3,187)
Total State Revenues	**Could exceed**	**($100,974)**	**Could exceed**	**($134,631)**
Local Impact				
Local Sales Tax	Could exceed	- ($151,042)	Could exceed	- ($201,389)

Officials from the **Department of Revenue (DOR)** note §144.030 outlines all the products that are exempt from sales tax. In §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 the department knows about.

<u>Brain Cancer Devices</u>
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, 2024. 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 467 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 (6.32% weighted average local tax rate). This would result in a loss to the state of $106,470 in total state revenue.

		9/12 Year	Full Year
General Revenue	3%	($56,700)	($75,600)
School District Trust	1%	($18,900)	($25,200)
Conservation Commission	0.125%	($2,363)	($3,150)
Park, Soil & Water	0.10%	($1,890)	($2,520)
Total State Revenue		($79,853)	($106,470)
Local	6.32%	($119,448)	($159,264)

<u>Embolization Devices</u>
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 556 in Missouri, have a ruptured brain aneurysm each year. Therefore, up to $666,533 (556 patients * $1,199 device) could be exempt from state and local taxes annually.

The Department estimates that this provision may reduce total state revenue by $28,161 per year.

	Tax Rate	9/12 Year	Annual Loss
General Revenue	3%	($14,997)	($19,996)
School district	1%	($4,999)	($6,665)
Conservation	0.125%	($625)	($833)
DNR	0.10%	($500)	($667)
total State Tax		($21,121)	($28,161)
Locals	6.32%	($31,594)	($42,125)

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 to the department's website and to the tax computer system. The estimated costs of these changes are $3,570.

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

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. Oversight notes the proposed sales tax exemption would decrease the amount of sales tax revenue distributed to the Park, Soil, and Water Sales Tax Fund. Therefore, Oversight will reflect the B&P's and DOR's fiscal impact estimates for DNR's funds.

In response to similar legislation from the current session (SB 1180), officials from the **Missouri Department of Conservation** assumed an unknown fiscal impact. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. The Department defers to the Department of Revenue as it is responsible for tax collection and would be better able to estimate the anticipated fiscal impact that would result from this proposal.

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. Oversight notes this proposed sale tax exemption would decrease the revenue distributed to the Conservation Sales Tax Fund. Therefore, Oversight will reflect the B&P's and DOR's fiscal impact estimates for MDC's funds.

Officials from the **City of Kansas City** assume this legislation is projected to have a negative fiscal impact of an indeterminable amount. Additional exemptions and/or limits on revenue growth will hamper the City of Kansas City's ability to ensure that basic services such as public safety, road repair, and emergency response can continue to be provided to serve the needs of the City's growing population.

In response to a similar proposal this year (HB 1817), officials from the **St Louis Budget Division** note the proposed legislation would exempt sales of certain medical devices from the City sales and use tax. It is anticipated that this provision would have a negative fiscal impact on sales and use tax collections with this amount being undetermined.

Officials from the **Branson Police Department** state this proposal has the potential to decrease tax revenue for emergency response agencies.

Oversight notes the above local political subdivisions stated this proposal would have a negative fiscal impact on their respective organizations of an indeterminate amount. 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.

Oversight notes according to the Wheelchair Foundation, about 1% of people require a wheelchair. Using the US Census Missouri population of 6,196,156, Oversight estimates there could be about 61,962 wheelchair users in Missouri.

Oversight notes there are a wide range of products available to assist wheelchair users, including but not limited to: seat cushions, arm rests, head rests, storage pouches, gloves, cupholders, trays, and phone holders. Oversight is unable to determine which of these, if any, are considered wheelchair parts and are already exempt under current law. Therefore, Oversight will show an unknown impact for this provision.

Oversight notes officials from B&P and DOR both assume the proposal will have a negative fiscal impact on state and local revenues. Oversight does not have any information to the contrary. Therefore, Oversight will reflect DOR's and B&P's estimated impact in the fiscal note.

Officials from the **Phelps County Sheriff's Department**, the **Kansas City Police Department** and the **St. Louis County Police Department** 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 for these agencies.

§313.057 – Repeals tax on the sale of bingo cards

In response to an earlier version of this proposal, officials from the **Missouri Gaming Commission (MGC)** stated the repeal of §313.055 and enactment of the new §313.057 eliminates the tax (two tenths of one cent) imposed on each bingo card and progressive bingo game card sold in Missouri to be paid by a supplier. In addition, the repeal of §313.057 and enactment of the new §313.057 eliminates the tax (2% of the gross receipts of the retail sales value charged) imposed on pull-tab cards sold in Missouri to be paid by a supplier.

The repeal of taxes related to bingo cards and pull-tab cards has no fiscal impact on the Missouri Gaming Commission. The entirety of the tax revenues collected on bingo and pull-tab cards are directed to the Missouri Bingo Proceeds for Education Fund. However, because the taxes are collected from bingo suppliers, who are licensed by the Missouri Gaming Commission, the repeal does affect MGC's regulation of bingo licensees.

The repeal of §§313.055 and 313.057, RSMo, and enactment of a new §313.057 would eliminate the tax imposed on bingo cards and pull-tab cards sold in Missouri, with an estimated total tax loss of $1,389,184 for fiscal year 2024 ($550,705 tax loss on bingo cards and $838,479 tax loss on pull-tabs), a total tax loss of $1,361,649 for fiscal year 2025 ($523,170 tax loss on bingo cards and $838,479 tax loss on pull-tabs), a total tax loss of $1,335,491 for fiscal year 2026 ($497,012 tax loss on bingo cards and $838,479 tax loss on pull-tabs), a total tax loss of $1,310,640 for fiscal year 2027 ($472,161 tax loss on bingo cards and $838,479 tax loss on pull-tabs), and a total tax loss of $1,287,032 for fiscal year 2028 ($448,553 tax loss on bingo cards and $838,479 tax loss on pull-tabs).

MGC estimates the following total tax loss:

	FY 2025	FY 2026	FY 2027	FY 2028
Bingo Paper Tax	$523,170	$497,012	$472,161	$448,553
Pull-Tab Tax	$838,479	$838,479	$838,479	$838,479
Total	**$1,361,649**	**$1,335,491**	**$1,310,640**	**$1,287,032**

MGC estimates the total estimated tax loss over the next 5 fiscal years is $6,683,996 ($2,491,601 tax loss on bingo cards and $4,192,395 tax loss on pull-tabs). The losses will continue into the future in perpetuity. Due to the tax imposed on bingo cards and pull-tab cards sold in Missouri being the only revenue streams for the Bingo Proceeds for Education Fund, then the elimination of such taxes will result in the fund not being funded, which in turn will negatively impact initiatives being supported by the fund.

In determining the impact on tax revenue, the Gaming Commission used the assumption that there will be a 5% decline per year in the sale of bingo cards based on the most recent decline that occurred prior to the impact of COVID-19 and that there will a 0% change in pull-tab sales based on the rise in popularity of pull-tabs with licensees and players offset by a decline in the number of bingo licensees.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated loss of revenue to the Bingo Proceeds for Education Fund (0289) impact in the fiscal note.

Oversight notes, per reports from the Office of the State Treasurer, the following receipts into the Bingo Proceeds for Education Fund (0289) over the past four fiscal years:

FY 2023	$1,452,755
FY 2022	$1,371,549
FY 2021	$ 902,629
FY 2020	$1,397,534

Oversight will reflect ten (10) months of impact in FY 2025.

Officials from the **Office of Administration - Budget and Planning** and the **Department of Revenue** defer to the Missouri Gaming Commission for the potential fiscal impact of this proposal.

Officials from the **Department of Elementary and Secondary Education** assume the proposal will have no fiscal impact on their organization. However, the proposal may reduce state revenue.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect no fiscal impact for this agency.

Officials from the **Department of Public Safety - Missouri Highway Patrol** and the **Office of the State Public Defender** 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 for these agencies.

In response to the previous version of this proposal, officials from the **Missouri Lottery Commission** assumed the proposal would have no fiscal impact on their organization.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities, various county officials, sheriffs and police departments, fire protection districts, ambulance and EMS, schools and charter schools and community colleges 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.

FISCAL IMPACT – State Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
GENERAL REVENUE			
Costs – DOR (§143.121) p. 3-4			
Personnel Service	($29,900)	($36,598)	($37,330)
Fringe Benefits	($23,896)	($28,937)	($29,204)
Expense & Equipment	($22,234)	($570)	($582)
Total Costs - DOR	($76,030)	($66,105)	($67,116)
FTE Change - DOR	1 FTE	1 FTE	1 FTE
Revenue Reduction – (§143.121) – Addition/subtraction of income for R&D costs p.3-4	(Unknown, could be substantial)	(Unknown, could be substantial)	(Unknown, could be substantial)
Revenue Reduction – (§§144.030 & 144.615) - Sales tax exemption on used goods p.5-6	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction – (§§144.030 & 144.813) - Brain cancer device sales tax exemption - p. 9-10	($56,700)	($75,600)	($75,600)
Revenue Reduction – (§§144.030 & 144.813) - Embolization device sales tax exemption - p. 10	($14,999)	($19,999)	($19,999)
Revenue Reduction – (§§144.030 & 144.813) - Rolling conformity for Medicare exemptions - p. 6	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction – (§§144.030 & 144.813) - Wheelchair accessories sales tax exemption p.12	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**(Unknown, could be substantial)**	**(Unknown, could be substantial)**	**(Unknown, could be substantial)**
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE

FISCAL IMPACT – State Government (continued)	FY 2025 (10 Mo.)	FY 2026	FY 2027
SCHOOL DISTRICT TRUST FUND (0688)			
Revenue Reduction – (§§144.030 & 144.615) - Sales tax exemption on used goods p.5-6	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction – (§§144.030 & 144.813) Brain cancer device sales tax exemption - p. 9-10	($18,900)	($25,200)	($25,200)
Revenue Reduction - – (§§144.030 & 144.813) - Embolization device sales tax exemption - p. 10	($4,999)	($6,665)	($6,665)
Revenue Reduction - – (§§144.030 & 144.813) - Rolling conformity for Medicare exemptions – p.6	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - – (§§144.030 & 144.813) -Wheelchair accessories sales tax exemption p. 12	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE SCHOOL DISTRICT TRUST FUND	**(Unknown greater than $23,899)**	**(Unknown greater than $31,865)**	**(Unknown greater than $31,865)**

FISCAL IMPACT – State Government (continued)	FY 2025 (10 Mo.)	FY 2026	FY 2027
PARKS AND SOILS STATE SALES TAX FUNDS (0614)			
Revenue Reduction - – (§§144.030 & 144.615) - Sales tax exemption on used goods p.5-6	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - (§§144.030 & 144.813) - Brain cancer device sales tax exemption - p. 9-10	($1,890)	($2,520)	($2,520)
Revenue Reduction - (§§144.030 & 144.813) - Embolization device sales tax exemption - p.10	($500)	($667)	($667)
Revenue Reduction - (§§144.030 & 144.813) - Rolling conformity for Medicare exemptions - p.6	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - (§§144.030 & 144.813) - Wheelchair accessories sales tax exemption p.12	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS	**(Unknown greater than $2,390)**	**(Unknown greater than $3,187)**	**(Unknown greater than $3,187)**

FISCAL IMPACT – State Government (continued)	FY 2025 (10 Mo.)	FY 2026	FY 2027
CONSERVATION COMMISSION FUND (0609)			
Revenue Reduction - – (§§144.030 & 144.615) - Sales tax exemption on used goods p.5-6	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - (§§144.030 & 144.813) - Brain cancer device sales tax exemption - p.9-10	($2,363)	($3,150)	($3,150)
Revenue Reduction - (§§144.030 & 144.813) - Embolization device sales tax exemption - p.10	($625)	($833)	($833)
Revenue Reduction - (§§144.030 & 144.813) - Rolling conformity for Medicare exemptions – p.6	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - (§§144.030 & 144.813) - Wheelchair accessories sales tax exemption p.12	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**(Unknown greater than $2,988)**	**(Unknown greater than $3,983)**	**(Unknown greater than $3,983)**
BINGO PROCEEDS FOR EDUCATION FUND (0289)			
Loss – MGC (§313.057) - tax elimination p.12-13	($1,134,708)	($1,335,491)	($1,310,640)
ESTIMATED NET EFFECT TO THE BINGO PROCEEDS FOR EDUCATINO FUND (0289)	**($1,134,708)**	**($1,335,491)**	**($1,310,640)**

FISCAL IMPACT – Local Government	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
Revenue Reduction – (§§144.030 & 144.615) - Sales tax exemption on used goods p.6	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - (§§144.030 & 144.813) - Brain cancer device sales tax exemption - p.9-10	($119,448)	($159,264)	($159,264)
Revenue Reduction - (§§144.030 & 144.813) - Embolization device sales tax exemption - p.10	($31,598)	($42,132)	($42,132)
Revenue Reduction - (§§144.030 & 144.813) - Rolling conformity for Medicare exemptions – p.6	(Unknown)	(Unknown)	(Unknown)
Revenue Reduction - (§§144.030 & 144.813) - Wheelchair accessories sales tax exemption p.12	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**(Unknown greater than $151,046)**	**(Unknown greater than $201,396)**	**(Unknown greater than $201,396)**

FISCAL IMPACT – Small Business

Certain small businesses that qualify for the proposed addition/subtraction could be impacted by this proposal. (§143.121)

Certain small auction businesses that sell used goods could be impacted by the proposal. (§§144.030 & 144.615)

Businesses that purchase qualified medical devices could be positively impacted by this proposal. (§§144.030 & 144.813)

A direct fiscal impact to organizations that conduct a game of bingo could expected as a result of this proposal. (§313.057)

FISCAL DESCRIPTION

Currently, Missouri taxpayers are unable to deduct certain research and experimentation expenditures from their adjusted gross income for tax purposes. This limitation is a result of the federal "Tax Cuts and Jobs Act" of 2017.

This bill de-couples Missouri from the provisions of the federal law, and allows taxpayers to deduct specified research and experimental expenditures from their federal adjusted gross income, beginning with the 2022 tax year. (§143.121)

The proposed legislation provides a sales tax exemption for certain used tangible personal property. (§§144.030 & 144.615)

Current law provides a sales tax exemption for certain durable medical equipment as defined on January 1, 1980 by the federal Medicare program. This act removes the reference to January 1, 1980.

Additionally, current law provides a sales tax exemption for the sales or rental of manual and powered wheelchairs, including parts. This act applies the exemption to accessories for such wheelchairs. (§144.030)

This act also provides a sales tax exemption for sales of class III medical devices that use electric fields for the purposes of treatment of cancer, including components and repair parts and disposable or single patient use supplies required for the use of such supplies. (§144.813)

This bill repeals a tax of 2% on the gross receipts of retail sales paid on each pull tab card sold in the state. The bill also repeals a tax imposed on each organization conducting a game of bingo which annually awards at least $5000 and more than $100 in a single day. (§313.057)

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 Administration - Budget and Planning
Department of Elementary and Secondary Education
Department of Natural Resources
Department of Revenue
Department of Public Safety -
    Missouri Gaming Commission
    Missouri Highway Patrol
Missouri Department of Conservation
Office of the State Public Defender
City of Kansas City
St. Louis Budget Division
Missouri Lottery Commission
Phelps County Sheriff's Department
Branson Police Department
Kansas City Police Department
St. Louis County Police Department
Eureka Fire Protection District – St. Louis

Julie Morff
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March 6, 2024

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March 6, 2024