

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0190H.011
 Bill No.: HB 483
 Subject: Taxation and Revenue - General; Taxation and Revenue - Sales and Use;
 Department of Revenue; Health Care
 Type: Original
 Date: January 15, 2025

Bill Summary: This proposal authorizes a reduced sales tax for the purchase of diapers, incontinence products, feminine hygiene products, and certain vitamins.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	Could exceed (\$22,386,963)*	Could exceed (\$32,943,085)	Could exceed (\$32,943,085)
Total Estimated Net Effect on General Revenue	Could exceed (\$22,386,963)*	Could exceed (\$32,943,085)	Could exceed (\$32,943,085)

*Oversight notes the fiscal impact for FY2026 is lesser because FY2026 is a partial year (8 months).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 144.016 -Sales Tax Reduction for Diapers, Feminine Hygiene Products, & Vitamins

Officials from the **Department of Revenue (DOR)** note beginning October 1, 2025, the tax levied and imposed under Chapter 144 on all retail sales of kid’s diapers and adult diapers shall be reduced to the same tax rate as on food. The current state sales tax rate is 4.225%. 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))

By lowering the state sales tax rate to that on food, this proposal would eliminate the 3% general revenue state sales tax.

Kid Diapers

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 information from the MO Dept of Health & Senior Services, the average number of children born in the last three years, is 69,167. 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	69,167
# of kids in Diapers Annually	207,500
# of Diapers Annually	
infant	172,916,667
toddler (2yrs)	207,500,000
total (kids * diapers)	380,416,667

Since this would start October 1, 2025, and sales tax is remitted one month behind collection, this would result in 8 months collected in FY 2026. This would result in a loss to general revenue as follows:

Fiscal Year	Low Impact	High Impact
FY 2026 (8 month)	(\$1,528,583)	(\$3,105,583)
FY 2027	(\$2,292,875)	(\$4,658,375)
FY 2028	(\$2,292,875)	(\$4,658,375)

Adult Diapers

Approximately one third of adults aged 65 and older have moderate to severe urinary incontinence and 6 percent had moderate to severe bowl incontinence. According to the United State Census Bureau 2020 population report, 1,077,757 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 290,994 individuals aged 65 and over would utilize the four adult urinary incontinence diapers while 64,665 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
290,994	4	365	1460	1.33	565,052,907
64,665	6	365	2190	1.33	188,350,969
					753,403,875

Since this would start on October 1, 2025, and sales tax is remitted one month behind implementation, this would result in 8 months collected in FY 2026. This would result in a loss general revenue as follows:

Fiscal Year	Impact
FY 2026 (8 months)	(\$15,068,078)
FY 2027	(\$22,602,116)
FY 2028	(\$22,602,116)

Section 144.016 Feminine Hygiene Sales Tax at Food Rate

Officials from the **Department of Revenue (DOR)** note this proposal will reduce the sales tax on feminine hygiene products to the same rate as food. Therefore, the general revenue 3% portion will no longer be collected.

Information from numerous sources indicates that a woman menstruates 500 times in her lifetime, usually between the ages of 12-51. 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), DOR calculated the number of women having a period in Missouri (those between 12-51) as 1,555,626.

	Total Cost Low	Total Cost High
Total estimated cost per year	\$98,306,921	\$140,438,458

This proposal begins October 1, 2025 (FY 2026). Sales tax is remitted one month behind collection and therefore, this will impact state and local revenue for only 8 months in FY 2026.

	Tax Rate	FY 2026 (8 months)		FY 2027 +	
		Low	High	Low	High
General Revenue	3.00%	(\$1,966,138)	(\$2,808,769)	(\$2,949,208)	(\$4,213,154)

Section 144.016 Vitamins at Food Sales Tax Rate

Officials from the **Department of Revenue (DOR)** note this proposal starting October 1, 2025, would reduce the sales tax rate on vitamins and minerals to the same rate as food.

DOR notes that vitamins that contain a nutrition label are taxed at the food sales tax rate of 1.225% instead of the 4.225% rate. DOR is unable to determine which prenatal and menstrual vitamins contain the nutrition label and are assessed at the lower vs higher rate. For fiscal note purposes only, DOR will assume all currently pay the 4.225% rate and therefore, any impact could potentially be lower than estimated.

Prenatal Vitamins

DOR does not track the number of vitamins or minerals sold in Missouri. Using market data, DOR notes that \$189.3 million dollars in vitamins was sold in the U.S. in 2023. Using birth data by the U.S. Census Bureau shows that Missouri has 1.8% of the total births in the U.S. Therefore, taking 1.8% of the total vitamin market leads the department to assume Missourians purchase approximately \$3,649,308 in prenatal vitamins.

Therefore, DOR estimates this could reduce general revenue by \$109,479 annually.

Menstrual Vitamins

DOR does not track the number of vitamins or minerals sold in Missouri. Using published data for 2023, the U.S market for menstrual health supplements was \$8.5 billion. Per the U.S. Census Bureau women in Missouri ages 15 and up make up 1.8% of all the women in the U.S. Therefore, taking 1.8% of the menstrual health supplement market DOR can assume that approximately \$166 million is purchased in Missouri.

Therefore, DOR estimates that this could reduce general revenue by \$4,989,407 annually.

Summary of Vitamins

Table 1 shows the estimated impact by fund and provision.

Table 1: Estimated Revenue Impact

State Fund	FY 2026	FY 2027+
General Revenue		
Prenatal Vitamin	(\$82,109)	(\$109,479)
Menstrual Supplement	(\$3,742,055)	(\$4,989,407)
Total GR Impact	(\$3,824,164)	(\$5,098,886)

SUMMARY

This proposal will result in the following impact.

General Revenue	FY 2026		FY 2027 +	
	Low	High	Low	High
Child diapers	(\$1,528,583)	(\$3,105,583)	(\$2,292,875)	(\$4,658,375)
Adult diapers	(\$15,068,078)	(\$15,068,078)	(\$22,602,116)	(\$22,602,116)
Feminine Hygiene	(\$1,966,138)	(\$2,808,769)	(\$2,949,208)	(\$4,213,154)
Vitamins	(\$3,824,164)	(\$3,824,164)	(\$5,098,886)	(\$5,098,886)
Total GR Loss	(\$22,386,963)	(\$24,806,594)	(\$32,943,085)	(\$36,572,531)

This proposal will require DOR to modify the department’s forms (\$2,200), website and computer programming (\$1,832). This will result in costs estimated at \$4,032.

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 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 **Office of Administration - Budget and Planning (B&P)** note beginning October 1, 2025, this proposal would reduce the sales tax rate on diapers, feminine hygiene products, as well as prenatal and menstrual health vitamins.

Under this proposal, such items would be taxed at the same rate as food. B&P notes that food is exempt from the 3% state general revenue sales tax, but is still subject to the 1% education, 0.125% conservation, 0.1% DNR, and local sales taxes.

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 2023 population estimates (the most recent complete year available), there are approximately 1,565,677 woman between those ages residing in Missouri.

Therefore, B&P estimates total sales of \$89,953,942 (\$57.45 cost per year x 1,565,677 women) to \$212,601,230 (\$135.79 cost per year x 1,565,677 women) may be impacted by this proposal.

B&P estimates that this provision could reduce GR by \$2,698,618 to \$6,378,037 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 2023 population estimates (the most recent complete year available), there were approximately 206,138 children living in Missouri ages 0-2 years old, with 67,996 being less than one year old.

Therefore, B&P estimates total sales of \$137,067,000 [(67,996 infants x \$1,000 cost per year) + (138,142 toddlers x \$500 cost per year)] up to \$184,035,280 [(67,996 infants x \$1,000 cost per year) + (138,142 toddlers x \$900 cost per year)] may be impacted by this proposal.

B&P estimates that this provision could reduce GR by \$4,112,010 to \$5,521,058 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 to the United State Census 2023 population (the most recent complete year available) estimates there were approximately 1,136,615 individuals residing in Missouri age 65 and over.

Based on these numbers, B&P estimates that approximately 284,154 (1,136,615 x 25%) individual age 65 and over would utilize adult urinary incontinence diapers. B&P further estimates that approximately 90,929 (1,136,615 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 could be approximately \$340,984,500 (284,154 people x \$1,200 annual cost) up to \$818,362,800 (284,154 people x \$2,880 annual cost).

B&P further estimates that the total annual sales for bowel incontinence adult diapers could be \$76,380,528 (90,929 people x \$840 annual cost) up to \$229,141,584 (90,929 people x \$2,520 annual cost).

Therefore, B&P estimates total sales of \$417,365,028 (\$340,984,500 urinary incontinence + \$76,380,528 bowl incontinence) up to \$1,047,504,384 (\$818,362,800 urinary incontinence + \$229,141,584 bowl incontinence) may be impacted by this proposal.

B&P estimates that this provision could reduce GR by \$12,520,951 to \$31,425,132 annually.

Prenatal Vitamins

Based on published market data, the U.S. market for prenatal vitamins was \$189.3 million in 2023 and growing by approximately 8% per year. Thus B&P estimates that the market in 2024 was approximately \$204.5 million.

To estimate the size of the Missouri prenatal vitamin market, B&P utilized birth data published by the U.S. Census Bureau. In 2023, women in Missouri made up 1.8% of total births in the U.S. over the previous twelve months.

Assuming that women in Missouri have a similar usage pattern of prenatal vitamin use, B&P estimates that Missouri could also account for 1.8% of the U.S. prenatal vitamin market. Therefore, B&P estimates that of the \$204.5 million in total U.S. sales, approximately \$3.6 million occur in Missouri.

Based on the above information, B&P estimates that this provision could reduce GR by \$109,479 annually.

Menstrual Vitamins

Based on published market data, the U.S. market for PMS and menstrual health supplements was \$8.5 billion in 2023 and growing approximately 7% per year. Thus B&P estimates that the market in 2024 was approximately \$9.1 billion.

To estimate the size of the Missouri menstrual supplement market, B&P utilized population data published by the U.S. Census Bureau. In 2023, Missouri women ages 15 and older made up 1.8% of all women in the U.S. aged 15 and older.

Assuming that woman in Missouri account for an equal percentage of menstrual supplement usage, B&P estimates that Missouri could also account for 1.8% of the U.S. menstrual supplement market. Therefore, B&P estimates that of the \$9.1 billion U.S. sales, approximately \$166.3 million occur in Missouri.

Based on the above information, B&P estimates that this provision could reduce GR by \$4,989,407 annually.

Summary

B&P estimates that this proposal could reduce TSR and GR by \$16,286,976 to \$32,282,075 in FY26. Once fully implemented, this proposal could reduce TSR and GR by \$24,430,465 to \$48,423,113 annually.

Table 1: Loss to GR by Provision

State Fund	FY26		FY27+	
	Low	High	Low	High
General Revenue				
Diapers - Child	(\$2,741,340)	(\$3,680,706)	(\$4,112,010)	(\$5,521,058)
Diapers - Adult	(\$8,347,301)	(\$20,950,088)	(\$12,520,951)	(\$31,425,132)
Feminine Hygiene Products	(\$1,799,079)	(\$4,252,025)	(\$2,698,618)	(\$6,378,037)
Prenatal Vitamins	(\$72,986)	(\$72,986)	(\$109,479)	(\$109,479)
Menstrual Supplement	(\$3,326,271)	(\$3,326,271)	(\$4,989,407)	(\$4,989,407)
Total GR Loss	(\$16,286,976)	(\$32,282,075)	(\$24,430,465)	(\$48,423,113)

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

Officials from the **Missouri Department of Conservation** note 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 this proposal only reduces the 3% general revenue portion of state sales tax and the remaining 1.225% (1% to School district trust fund, 0.125% Conservation Commission Fund, 0.1% Parks and Soils Fund, and additional local sales taxes) will not be impacted by this proposal.

Oversight notes officials from B&P and DOR have conducted independent research and both assume the proposal will have a direct fiscal impact on state revenues. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a fiscal impact that could exceed DOR’s estimated impacts in the fiscal note.

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.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (8 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
<u>Revenue Reduction</u> - §144.016 - Reduction of sales tax rate on child diapers	Could exceed (\$1,528,583)	Could exceed (\$2,292,875)	Could exceed (\$2,292,875)
<u>Revenue Reduction</u> - §144.016 - Reduction of sales tax rate on adult diapers	Could exceed (\$15,068,078)	Could exceed (\$22,602,116)	Could exceed (\$22,602,116)
<u>Revenue Reduction</u> - §144.016 - Reduction of sales tax rate on feminine hygiene products	Could exceed (\$1,966,138)	Could exceed (\$2,949,208)	Could exceed (\$2,949,208)
<u>Revenue Reduction</u> - §144.016 - Reduction of sales tax rate on vitamins	<u>Less than</u> (\$3,824,164)	<u>Less than</u> (\$5,098,886)	<u>Less than</u> (\$5,098,886)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>Could exceed</u> <u>(\$22,386,963)</u>	<u>Could exceed</u> <u>(\$32,943,085)</u>	<u>Could exceed</u> <u>(\$32,943,085)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (8 Mo.)	FY 2027	FY 2028

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (8 Mo.)	FY 2027	FY 2028
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Small businesses that sell diapers, feminine hygiene products, and/or certain vitamins would have to collect a different sales tax rate on these items.

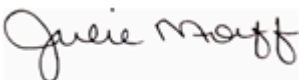
FISCAL DESCRIPTION

The proposed legislation authorizes a reduced sales tax for the purchase of diapers, incontinence products, feminine hygiene products, and certain vitamins.

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
Office of the Secretary of State
Joint Committee on Administrative Rules



Julie Morff
Director
January 15, 2025



Jessica Harris
Assistant Director
January 15, 2025