

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0686H.011
 Bill No.: HB 635
 Subject: Taxation and Revenue - General; Taxation and Revenue - Sales and Use; Property,
 Real and Personal
 Type: Original
 Date: February 9, 2025

Bill Summary: This proposal provides a sales tax exemption for certain used tangible personal property.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue*	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue	(Unknown)	(Unknown)	(Unknown)

***Oversight** assumes the proposed exemption is limited to items sold at an auction for a second time (assuming tax was collected upon the first auction sale). Based on the narrow scope of this exemption, Oversight assumes the losses would *not* exceed \$250,000 in any of the next three fiscal years.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
School District Trust Fund (0688)	(Unknown)	(Unknown)	(Unknown)
Conservation Commission Fund (0609)	(Unknown)	(Unknown)	(Unknown)
Parks and Soils State Sales Tax Fund(s) (0613 & 0614)	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on Other State Funds*	(Unknown)	(Unknown)	(Unknown)

***Oversight** assumes this exemption is limited to items sold at an auction for a second time (assuming tax was collected upon the first auction sale). Based on the narrow scope of this exemption, Oversight assumes the losses would *not* exceed \$250,000 in any of the next three

fiscal years.

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	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Sections 144.030 & 144.615 - Sales & Use Tax Exemption for “Used Tangible Personal Property”

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 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 Department 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.

This would require DOR to update the department’s computer programming at a cost of \$1,832.

Oversight notes the DOR requests one-time cost for website income-tax changes and updates to comply with the proposed language; however, Oversight notes that DOR receives appropriation for routine website updates and will not show those costs in the fiscal note.

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 B&P's and DOR's fiscal impact estimates for DNR's funds.

Officials from the **Missouri Department of Conservation** assume 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 B&P's and DOR's fiscal impact estimates for MDC's funds.

Officials from the **City of Kansas City** assume the proposed legislation has a negative fiscal impact of an indeterminate amount.

Oversight notes the above local political subdivision stated this proposal would have a negative fiscal impact on their respective city of an indeterminate amount. Oversight assumes the proposed sales tax exemption may decrease the amount of sales tax revenue distributed to various local political subdivisions. Therefore, Oversight will note DOR's estimates for all local political subdivisions on the fiscal note.

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.

Oversight notes officials from B&P and DOR both assume the proposal will have an unknown, likely minimal, 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.

Oversight assumes this exemption is limited to items sold at an auction for a second or more time (assuming tax was collected upon the first auction sale). Based on the narrow scope of this exemption, Oversight assumes the losses would *not* exceed \$250,000 in any of the next three fiscal years.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
<u>Revenue Loss</u> - §144.030 & §144.615 - Sales & use tax exemption for “used tangible personal property”	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue Loss</u> - §144.030 & §144.615 - Sales & use tax exemption for “used tangible personal property”	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue Loss</u> - §144.030 & §144.615 - Sales & use tax exemption for “used tangible personal property”	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PARKS AND SOILS STATE SALES TAX FUNDS			
<u>Revenue Loss</u> - §144.030 & §144.615 - Sales & use tax exemption for “used tangible personal property”	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss</u> - §144.030 & §144.615 - Sales & use tax exemption for “used tangible personal property”	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT – Small Business

Under this proposal certain small auction businesses would not be required to collect sales and use tax on certain items sold multiple times.

FISCAL DESCRIPTION

This bill exempts from sales and use tax all sales of used tangible personal property, including any tangible personal property that is sold a second time or any number of additional subsequent times after the initial point of sale, at an auction.

The provisions of this bill will not apply to motor vehicles, trailers, boats, or outboard motors purchased or acquired for use on the highways or waters of this state which are required to be titled.

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
 Missouri Department of Conservation

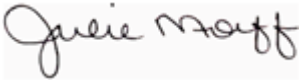
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Department of Natural Resources
City of Kansas City



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