

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1071H.05C  
Bill No.: HCS for HB 149  
Subject: Taxation and Revenue - General; Counties; Taxation and Revenue - Sales and Use; Political Subdivisions; Bingo; Department of Revenue; Gambling; Public Safety, Department Of; Property, Real and Personal; Health Care  
Type: Original  
Date: April 23, 2025

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Bill Summary: This proposal modifies provisions relating to the recreation sales tax for certain counties.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
General Revenue	Could exceed (\$8,058,005)	Could exceed (\$12,921,581)	Could exceed (\$12,921,581)
<b>Total Estimated Net Effect on General Revenue</b>	<b>Could exceed (\$8,058,005)</b>	<b>Could exceed (\$12,921,581)</b>	<b>Could exceed (\$12,921,581)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
School District Trust Fund (0688)	Could exceed (\$2,677,330)	Could exceed (\$4,307,193)	Could exceed (\$4,307,193)
Conservation Commission Fund (0609)	Could exceed (\$334,666)	Could exceed (\$538,399)	Could exceed (\$538,399)
Parks and Soils State Sales Tax Fund(s) (0613 & 0614)	Could exceed (\$267,733)	Could exceed (\$430,720)	Could exceed (\$430,720)
Bingo Proceeds for Education (0289)	(\$1,158,600)	(\$1,365,153)	(\$1,340,575)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Could exceed (\$4,438,329)</b>	<b>Could exceed (\$6,641,465)</b>	<b>Could exceed (\$6,616,887)</b>

Numbers within parentheses: () indicate costs or losses.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- ☒ 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
<b>Local Government</b>	<b>Could exceed (\$11,940,893)</b>	<b>Could exceed (\$19,210,084)</b>	<b>Could exceed (\$19,210,084)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### **Section 67.782, 67.783, & 67.785 - Recreation Tax**

Officials from the **Office of Administration - Budget and Planning** state these sections would modify the county qualification descriptions for the creation of a recreational lake authority and associated sales tax. To the extent that this provision results in additional sales tax, this provision may increase TSR through the 2% DOR cost of collection fee.

Officials from the **Department of Revenue (DOR)** note the legislation states any county with more than nine thousand nine hundred but fewer than eleven thousand inhabitants with a county seat with more than one thousand but fewer than one thousand five hundred inhabitants and any county with more than eighty thousand but fewer than one hundred thousand inhabitants and with a county seat with more than thirteen thousand but fewer than seventeen thousand inhabitants can impose a sales tax for public recreational purposes. DOR believes that Bollinger County and Cape Girardeau County are the ones allowed the sales tax.

Both Bollinger County and Cape Girardeau County are allowed to adopt this tax by a vote of their people. This is a 1% sales tax. DOR notes that DOR is allowed to retain 1% of all sales tax collected for reimbursement of the department's expenses.

### BOLLINGER COUNTY

DOR records show that Bollinger County has taxable sales of :

Fiscal Year	Jul-Sept	Oct-Dec	Jan-Mar	April- June	Total
2020	\$12,560,145.46	\$13,495,032.67	\$13,446,426.78	\$13,405,148.98	\$52,906,753.89
2021	\$13,166,999.41	\$12,967,346.48	\$13,099,439.32	\$22,843,062.50	\$62,076,847.71
2022	\$13,657,520.51	\$14,342,136.19	\$14,986,689.07	\$22,478,730.17	\$65,465,075.94
2023	\$14,741,559.22	\$14,972,713.91	\$15,584,765.18	\$16,035,178.52	\$61,334,216.83

### Sales Tax only

The Department notes this proposal allows a one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount that Bollinger County would collect, and the fee retained by DOR as:

Fiscal Year	Total Sales	Total Collections	DOR 1% Fee	Final Collection
2026	\$65,088,362	\$650,884	\$6,509	\$644,375
2027	\$66,390,129	\$663,901	\$6,639	\$657,262
2028	\$67,717,931	\$677,179	\$6,772	\$670,408

DOR notes that this proposal would become effective on August 28, 2025, and the first election this issue could be presented to the voters would be the April 2026 general municipal election. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2026 (FY 2027) if adopted by the voters. Sales tax is remitted one month behind collection of the tax, so DOR estimates an impact for FY 2027 of 8 months.

Bollinger County	1% Tax	
Fiscal Year	DOR 1%	Local Collection
2026	\$0	\$0
2027 (8 months)	\$4,426	\$438,175
2028	\$6,772	\$670,408
*Effective Date 8/28/2025		

#### CAPE GIRARDEAU COUNTY

DOR records indicate that Cape Girardeau County had taxable sales of:

Fiscal Year	Jul-Sept	Oct-Dec	Jan-Mar	April- June	Total
2020	318,049,760.59	346,574,051.34	359,218,108.71	378,945,057.54	1,402,786,978.18
2021	366,220,766.84	395,229,866.54	397,370,935.93	438,791,884.20	1,597,613,453.51
2022	379,093,258.62	422,916,960.53	450,150,408.76	457,241,987.23	1,709,402,615.14
2023	407,410,420.78	432,302,741.27	435,778,172.23	456,595,183.41	1,732,086,517.69

The Department notes this proposal allows a one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount that Cape Girardeau County would collect, and the fee retained by DOR as:

Fiscal Year	Total Sales	Total Collections	DOR 1% Fee	Final Collection
2026	\$1,838,104,069	\$18,381,041	\$183,810	\$18,197,230
2027	\$1,874,866,151	\$18,748,662	\$187,487	\$18,561,175
2028	\$1,912,363,474	\$19,123,635	\$191,236	\$18,932,398

DOR notes that this proposal would become effective on August 28, 2025, and the first election this issue could be presented to the voters would be the April 2026 general municipal election. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2026 (FY 2027) if adopted by the voters. Sales tax is remitted one month behind collection of the tax, so DOR estimates an impact for FY 2027 of 8 months.

Cape Girardeau	1% Tax	
Fiscal Year	DOR 1%	Local Collection
2026	\$0	\$0
2027 (8 months)	\$124,991	\$12,374,117
2028	\$191,236	\$18,932,398
*Effective Date 8/28/2025		

If passed will require the Department to make changes to Revenue Premier, Rate Manager, MyTax portal, Avalara Sales and use tax rate map, and website changes. These changes are estimated at \$1,832 per system change (\$7,328) for each county that passes it.

**Oversight** assumes this proposal removes the provision that both counties must jointly impose the tax. This could make it easier to pass the measure (in one of the counties). Oversight notes Section 67.782 was originally passed in 1987 and was updated in 1990 and 1991. If approved by voters in both Bollinger and Cape Girardeau counties, an additional 1% tax could generate roughly \$129,417 for the 1% DOR collection fee in FY 2027 and \$198,008 in FY 2028.

#### **Section 144.030 - Sales Tax Exemptions**

Officials from the **Department of Revenue (DOR)** note 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, mesothelioma and non-small cell lung cancer (mNSCLC) 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**

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, 2025. 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 8.3% of all patients with these conditions use their product. According to the CDC approximately 470 individuals have brain and other nervous system cancers, and 54 individuals have mesothelioma in Missouri.

Since glioblastoma accounts for about 17% of all brain cancers, DOR will assume that 79 Missourians have glioblastoma and 54 have mesothelioma.

Applying the 8.3% percentage to the number of Missouri residents with these conditions DOR estimates that 7 Missourians are using it for glioblastoma and 4 are using it for mesothelioma and will qualify for the sales tax exemption annually.

#### Non-small cell lung cancer

The Department is aware that one company makes a device for the treatment of non-small cell lung cancer. The device costs approximately \$21,000 a month each or \$252,000 annually. The manufacturer estimates that approximately 8.3% of all patients with these conditions use their product. According to the CDC approximately 5,309 individuals have lung cancer in Missouri.

Since mNSCLC accounts for about 85% of all lung cancers, DOR will assume that 5,309 Missourians have been diagnosed with it.

Applying the 8.3% percentage to the number of Missouri residents with these conditions DOR estimates that 376 Missourians are using it for lung cancer and will qualify for the sales tax exemption annually.

The brain and lung cancer device is estimated to cost of \$252,000 per year per person. Therefore, this would result in taxable sales of \$97,663,6500. This proposal removes both the state sales tax (4.225%) and the local sales tax (4.46% weighted average local tax rate). This would result in a loss to the state of \$4,126,289 in total state revenue.

		9/12 Year	Full Year
General Revenue	3.000%	(\$2,197,432)	(\$2,929,910)
School District Trust	1.000%	(\$732,477)	(\$976,637)
Conservation Commission	0.125%	(\$91,560)	(\$122,080)
Park, Soil & Water	0.100%	(\$73,248)	(\$97,664)
Total State Revenue		(\$3,094,717)	(\$4,126,289)
Local	4.460%	(\$3,266,849)	(\$4,355,799)

#### 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 \$1,199.

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	3.000%	(\$14,997)	(\$19,996)
School district	1.000%	(\$4,999)	(\$6,665)
Conservation	0.125%	(\$625)	(\$833)
Park, Soil & Water	0.100%	(\$500)	(\$667)
Total State Tax		(\$21,121)	(\$28,161)
Locals	4.460%	(\$22,296)	(\$29,727)

#### 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 sales tax exemption provisions would require a modification to the department's forms (\$2,200), change to the to DOR's website and to the department's tax computer system (\$7,327). The estimated costs of these changes are \$9,527.

**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 **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 certain cancers, 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, 2025.

B&P notes that there are currently three such FDA devices approved. The first device is used to treat glioblastoma, the second device is used to treat mesothelioma, and the third device is used to treat non-small cell lung cancer. Based on data published by the manufacturer, B&P estimates that approximately 8.3% of patients use the qualifying device. For the purpose of this fiscal note, B&P will assume that the 8.3% usage is the same across all three cancer types.

Based on information published by the DHSS, there were 456 individuals with brain and other nervous system cancers in Missouri during 2021, 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 78 individuals in Missouri (456 brain and nervous system cancers x 17%) may have glioblastoma.

Based on further information published by DHSS, there were 45 cases of mesothelioma cancer in Missouri during 2021, the most recent year available.

In addition, there were 5,321 cases of lung cancer in Missouri during 2021, the most recent year available. Based on further research, approximately 85% of all lung cancers are non-small cell lung cancer. Therefore, B&P estimates 4,523 individuals in Missouri (5,321 lung cancers x 85%) may have non-small cell lung cancer.

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 7 individuals with glioblastoma (78 Missouri glioblastoma patients x 8.3% device usage), 4 individuals with mesothelioma (45 Missouri mesothelioma patients x 8.3% device usage), and 377 individuals with non-small cell lung cancer (4,523 patients x 8.3% 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 \$97,776,000 [(7

glioblastoma patients x \$252,000 per year costs) + (4 mesothelioma patients x \$252,000 per year costs) + (377 non-small cell lung cancer 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 \$4,131,036 and GR by \$2,933,280 per year. Using the location weighted average local sales tax rate of 4.46% for 2024, B&P further estimates this proposal may reduce local sales tax collections by \$4,360,810 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 557 Missouri residents suffer from a ruptured brain aneurysm each year.

Based on data published by the manufacture, this new embolization device costs \$1,198.80. Therefore, B&P estimates that this proposal could exempt \$667,732 (557 patients x \$1,198.80 treatment) in sales from state and local taxation.

Based on the above information, B&P estimates that this provision may reduce TSR by \$28,212 and GR by \$20,032 per year. Using the location weighted average local sales tax rate of 4.46% for 2024, B&P further estimates this proposal may reduce local sales tax collections by \$29,781 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 \$4,159,248 and GR by an amount that could exceed \$2,953,312 per year. Using the 2024 location weighted local sales tax rate of 4.46%, B&P further estimates this proposal may reduce local sales tax collections by an amount that could exceed \$4,390,590 per year.

Table 1: Estimated Impact by Fund

	FY 2026	FY 2027+
<b><u>State Funds</u></b>		
General Revenue	Could exceed (\$2,214,984)	Could exceed (\$2,953,312)
Education (SDTF)	Could exceed (\$738,328)	Could exceed (\$984,437)
Conservation	Could exceed (\$92,291)	Could exceed (\$123,055)
DNR	Could exceed (\$73,833)	Could exceed (\$98,444)
<b>Total State Revenues</b>	<b>Could exceed (\$3,119,436)</b>	<b>Could exceed (\$4,159,248)</b>
<b><u>Local Impact</u></b>		
Local Sales Tax	Could exceed (\$3,292,943)	Could exceed (\$4,390,590)

**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 B&P's estimated impact in the fiscal note.

#### **Sections 140.030 & 144.615 – Sales/Use Tax Exemption for Used Tangible Personal Property**

Officials from the **Department of Revenue (DOR)** note 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 an auction. It should be noted that most auction sales are already exempt from taxation but consignment sales at auction are still subject to tax. This proposal would eliminate the tax on those sales also.

DOR does not maintain information on the number of these sales that are subject to tax in Missouri. Based on research into the industry approximately \$17.6 billion in revenue is generated annually from the consignment industry. Missouri's share of national consumption per the U.S. Bureau of Economic Analysis says we are about 1.7% of the consumption. Which means we would have auction consignment sales of at least \$301,841,990 annually.

The state sales tax is 4.225%. That sales tax is broken down as:

General Revenue	3%
School District	1%
Conservation Commission	.125
Parks, Soil & Water Funds	.1%

For fiscal note purposes, the Department is using a weighted local tax rate of 4.46% to calculate the average local sales tax loss. 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.

This proposal would become effective on August 28, 2025. It should be noted that sales tax is remitted one month behind collections and therefore, this will have an impact of 9 months in the first year (FY 2026).

Exempting these sales would result in a loss of revenue of:

Estimated Revenue Impact by Fund

<b><u>State Funds</u></b>	FY 2026	FY 2027+
General Revenue	(\$6,791,445)	(\$9,055,260)
School District	(\$2,263,815)	(\$3,018,420)
Conservation	(\$282,977)	(\$377,302)
Park, Soil & Water	(\$226,382)	(\$301,842)
Total State Revenues	(\$9,564,619)	(\$12,752,824)
<b><u>Local Funds</u></b>		
Local Sales Tax	(\$10,096,615)	(\$13,462,153)

This will require the Department to update our website and computer programs (\$1,832).

Officials from the **Office of Administration - Budget and Planning** state this proposal would exempt sales at auction from state and local sales tax. B&P notes that the majority of auction sales are already exempt from taxation. However, consignment sales at auction are subject to state and local sales tax.

Based on industry research, B&P determined that in the U.S. auction consignment sales generate approximately \$9.7 billion in revenue per year. Based on data published by the U.S. Bureau of

Economic Analysis, B&P estimates that the share of national consumption occurring in Missouri was about 1.7% in 2023. Therefore, B&P estimates that Missouri auction consignment sales could be \$166,356,097 annually.

Based on the above information, B&P estimates that this proposal could reduce TSR by \$7,028,545 ( $\$166,356,097 \times 4.225\%$ ) and GR by \$4,990,683 ( $\$166,356,097 \times 3.0\%$ ) annually. Using the location weighted average local sales tax rate of 4.46% for 2024, B&P further estimates that this provision could reduce local sales tax collections by \$7,419,482 annually.

Table 1: Estimated Auction Loss by Fund

State Fund	FY 2026	FY 2027+
GR	(\$3,743,012)	(\$4,990,683)
Education	(\$1,247,671)	(\$1,663,561)
Conservation	(\$155,959)	(\$207,945)
DNR	(\$124,767)	(\$166,356)
Total State Loss	(\$5,271,409)	(\$7,028,545)
Local Funds		
Local Sales Tax	(\$5,564,612)	(\$7,419,482)

### **Section 144.812 - Sales and Use Tax Exemption for Certain Broadband Equipment**

Officials from the **Office of Administration - Budget and Planning (B&P)** note beginning tax year 2026, this proposal would exempt all machinery and equipment used to provide broadband from state and local sales/use tax. B&P notes that this proposal would include equipment used at the broadband service provider (such as software and hub equipment), equipment used outside (such as fiber and poles), and equipment used within a customer's house (such as modems).

B&P is unable to determine exactly how much is spent each year to provide broadband internet service. However, B&P does have data on the amount of federal grants received by broadband providers since 2019. Based on industry research, labor accounts for approximately 60% of broadband production costs.

For the purpose of this fiscal note, B&P will use federal grant data to estimate the potential sales tax loss. However, B&P notes that this is only partial data and does not account for continuing costs faced by service providers running networks. Therefore, it is likely that the actual impact will exceed (maybe significantly) the impacts estimated below.

Based on multiple sources, B&P was able to determine the following federal grants were awarded to Missouri broadband providers. B&P then split the grants between labor (60%) and equipment (40%).

Table 1: Estimated Broadband Grants

Tax Year	Federal Grants	Est. Labor	Est. Equipment
2019	\$30,301,421	\$18,180,853	\$12,120,568
2020	\$137,577,527	\$82,546,516	\$55,031,011
2021	\$39,629,766	\$23,777,860	\$15,851,906
2022	\$94,975,079	\$56,985,047	\$37,990,032
2023	\$364,829,766	\$218,897,860	\$145,931,906
2024	\$457,790,308	\$274,674,185	\$183,116,123
2025	\$421,776,466	\$253,065,880	\$168,710,586
2026	\$395,565,663	\$237,339,398	\$158,226,265

B&P notes that total investment amounts for 2026 and later are not yet known. Therefore, for tax year 2026, B&P will reflect the potential loss as the range between current known grants and the highest amount awarded (TY 2024). For tax years 2027 and later, B&P will reflect a range between the lowest (TY 2019) and highest (TY 2024) grant years.

Using only the portion of the federal grants used on the purchase of equipment (i.e. 40%), B&P estimates that this proposal could exempt between \$158,226,265 and \$183,116,123 in taxable sales during calendar year 2026. For calendar years 2027 and beyond, B&P estimates that this proposal could exempt \$12,120,568 to \$183,116,123 from taxable sales annually. Table 2 shows the estimated impact by calendar year.

Table 2: Estimated Sales Tax Loss by Calendar Year

<u>State Funds</u>	CY 2026		CY 2027 +	
	Low	High	Low	High
General Revenue	(\$4,746,788)	(\$5,493,484)	(\$363,617)	(\$5,493,484)
Education	(\$1,582,263)	(\$1,831,161)	(\$121,206)	(\$1,831,161)
Conservation	(\$197,783)	(\$228,895)	(\$15,151)	(\$228,895)
DNR	(\$158,226)	(\$183,116)	(\$12,121)	(\$183,116)
Total State Revenues	(\$6,685,060)	(\$7,736,656)	(\$512,095)	(\$7,736,656)
<u>Local Funds</u>				
Local Sales Tax	(\$7,056,891)	(\$8,166,979)	(\$540,577)	(\$8,166,979)

Based on historical sales tax data, sales tax collections in a calendar year are split 50/50 between fiscal years, with revenue distributions running one month behind collections. Therefore, B&P

estimates that this proposal could reduce TSR by and amount that could exceed \$2,785,442 to \$3,223,607 in FY26. In future years, this proposal could reduce TSR by an amount that may exceed \$512,095 to \$7,736,656 annually. Table 3 shows the estimated impact by fiscal year.

Table 3: Estimated Sales Tax Loss by Fiscal Year

<b>State Funds</b>	FY 2026		FY 2027	
	Low	High	Low	High
General Revenue	(\$1,977,828)	(\$2,288,952)	(\$363,617)	(\$5,493,484)
Education	(\$659,276)	(\$762,984)	(\$121,206)	(\$1,831,161)
Conservation	(\$82,410)	(\$95,373)	(\$15,151)	(\$228,895)
DNR	(\$65,928)	(\$76,298)	(\$12,121)	(\$183,116)
<b>Total State Revenues</b>	<b>(\$2,785,442)</b>	<b>(\$3,223,607)</b>	<b>(\$512,095)</b>	<b>(\$7,736,656)</b>
<b>Local Funds</b>				
Local Sales Tax	(\$2,940,371)	(\$3,402,908)	(\$540,577)	(\$8,166,979)

Officials from the **Department of Revenue (DOR)** note This will provide a sales tax exemption for all machinery and equipment used to provide broadband communication services. DOR is unable to determine how much of the product outlined in this proposal is sold annually in Missouri.

DOR, however, can find data on the amount of federal grants received by broadband providers. Below is a chart of the federal grants received in Missouri and split between labor costs and estimated equipment costs. Based on additional research DOR knows that about 60% of broadband production costs is labor. Therefore, the department assumes the grants are split as follows:

Table 1: Estimated Broadband Grants

Tax Year	Federal Grants	Est. Labor	Est. Equipment
2019	\$30,301,421	\$18,180,853	\$12,120,568
2020	\$137,577,527	\$82,546,516	\$55,031,011
2021	\$39,629,766	\$23,777,860	\$15,851,906
2022	\$94,975,079	\$56,985,047	\$37,990,032
2023	\$364,851,264	\$218,910,758	\$145,940,506
2024	\$457,790,308	\$274,674,185	\$183,116,123
2025	\$421,776,466	\$253,065,880	\$168,710,586
2026	\$395,565,663	\$237,339,398	\$158,226,265

DOR notes that these grants are given to install and create a broadband network. It should be noted that these networks will take ongoing maintenance in future years. Therefore, any impact projected estimate could be exceeded.

DOR notes that the amount of funding spent on broadband in the future is unknown. As shown above the amount of funding can vary widely year over year. For the fiscal note, DOR will show the impact for each year as the lowest year (2019) to the highest year (2024) of grants received in Missouri.

The exemption will begin on January 1, 2026. Using the data above DOR estimates the impact as follows:

Estimated Sales Tax Loss by Tax Year

		<b>TY 2026 +</b>	
		Low	High
	Est. Investment	\$12,120,568	\$183,116,123
General Revenue	3%	(\$363,617)	(\$5,493,484)
School District	1%	(\$121,206)	(\$1,831,161)
Conservation	0.125%	(\$15,151)	(\$228,895)
Park, Soil & Water	0.10%	<u>(\$12,121)</u>	<u>(\$183,116)</u>
TSR		(\$512,095)	(\$7,736,656)
Local Sales Tax	4.46%	(\$540,577)	(\$8,166,979)

It should be noted that sales tax is remitted one month behind collection and therefore this will impact state revenue for only 5 months in FY 2026. When converting from tax year to fiscal year DOR uses a 50% in the first year and 50% in the second fiscal year.

Estimated Sales Tax Loss by Fiscal Year

<b><u>State Funds</u></b>	FY 2026 (5 months)		FY 2027+	
	Low	High	Low	High
General Revenue	(\$151,507)	(\$2,288,952)	(\$363,617)	(\$5,493,484)
School District	(\$50,503)	(\$762,984)	(\$121,206)	(\$1,831,161)
Conservation	(\$6,313)	(\$95,373)	(\$15,151)	(\$228,895)
Park, Soil & Water	(\$5,050)	(\$76,298)	(\$12,121)	(\$183,116)
<b>Total State Revenues</b>	<b>(\$213,373)</b>	<b>(\$3,223,607)</b>	<b>(\$512,095)</b>	<b>(\$7,736,656)</b>
<b><u>Local Funds</u></b>				
Local Sales Tax	(\$225,240)	(\$3,402,908)	(\$540,577)	(\$8,166,979)

This will require DOR to update the department's forms (\$2,200), DOR's website and its computer programs (\$7,327).

**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.

**Oversight** notes using the data provided by Office of Administration - Budget and Planning, the average amount of federal grants used on the purchase of equipment from 2023-2025 was \$165,919,538. For purposes of this fiscal note, Oversight assumes this proposal could exempt at least \$165,919,538 in taxable sales each year. Oversight notes the following estimated impact by fund/fiscal year:

Fund	FY 2026 (5 months)	FY 2027+
General Revenue	(\$2,073,994)	(\$4,977,586)
School District Trust Fund	(\$691,331)	(\$1,659,195)
Conservation	(\$86,416)	(\$207,399)
Parks & Soils	(\$69,133)	(\$165,920)
Locals	(\$3,083,338)	(\$7,400,011)

**Oversight** is unable to determine the amount of qualifying items sold in the future, therefore, Oversight will show a fiscal impact that could exceed the figures estimated above.

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 fiscal impact estimated above for DNR's funds.

In response to a similar proposal this year, (SB 185) 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 the fiscal impact estimated above for MDC's funds.

### **Sections 313.055 & 313.057 - Repeal of Bingo Tax**

Officials from the **Missouri Gaming Commission (MGC)** state 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.

Because the taxes are collected from bingo suppliers, who are licensed by the Missouri Gaming Commission, however, the repeal does affect MGC's regulation of bingo licensees.

The repeal of Sections 313.055 and 313.057, RSMo. and enactment of a new Section 313.057 would eliminate the tax imposed on bingo cards and pull-tab cards sold in Missouri, with a estimated total tax loss of \$1,390,320 for fiscal year 2026 (\$563,194 tax loss on bingo cards and \$827,126 tax loss on pull-tabs), a total tax loss of \$1,365,153 for fiscal year 2027 (\$546,298 tax loss on bingo cards and \$818,855 tax loss on pull-tabs), a total tax loss of \$1,340,575 for fiscal year 2028 (\$529,909 tax loss on bingo cards and \$810,666 tax loss on pull-tabs), a total tax loss of \$1,316,572 for fiscal year 2029 (\$514,012 tax loss on bingo cards and \$802,560 tax loss on pull-tabs), and a total tax loss of \$1,293,125 for fiscal year 2030 (\$498,591 tax loss on bingo cards and \$794,534 tax loss on pull-tabs).

The total estimated tax loss over the next five (5) fiscal years is \$6,705,745 (\$2,652,003 tax loss on bingo cards and \$4,053,741 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, 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.

MGC estimates the following total tax loss:

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Bingo Paper Tax	\$563,194	\$546,298	\$529,909	\$514,012	\$498,591
Pull-Tab Tax	\$827,126	\$818,855	\$810,666	\$802,560	\$794,534
<b>Total</b>	<b>\$1,390,320</b>	<b>\$1,365,153</b>	<b>\$1,340,575</b>	<b>\$1,316,572</b>	<b>\$1,293,125</b>

In determining the impact of the tax repeal, the Missouri Gaming Commission used the assumptions that there will be a 3% decline per year in the sales of bingo cards, based on the most recent trends; and that there will be a 1% reduction in pull-tab sales, based on recent trends.

**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 2024	\$1,441,708
FY 2023	\$1,452,755
FY 2022	\$1,371,549
FY 2021	\$ 902,629

**Oversight** will reflect ten (10) months of impact in FY 2026.

Officials from the **Department of Revenue** assume the provision will have no fiscal impact on their organization.

In response to a similar proposal this year, (HB 197), officials from the **Department of Elementary and Secondary Education (DESE)** defer to the Office of Administration - Budget and Planning for the potential fiscal impact of this proposal.

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

Officials from the **DESE** state that the proposed legislation proposes a reduction in the current Bingo tax and may impact the department's ability to carry out its functions since they cannot predict how any remaining post reduction funds will be appropriated.

Upon further inquiry, **DESE** stated the funds are currently appropriated to the Board Operated Schools – Missouri Schools for the Severely Disabled.

#### **Responses regarding the proposed legislation as a whole**

Officials from the **Department of Public Safety - Highway Patrol**, the **Department of Commerce and Insurance**, the **City of O'Fallon** and the **City of Osceola** 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.

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

**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 2026 (10 Mo.)	FY 2027	FY 2028
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction</u> - §144.030 - brain cancer device sales tax exemption - p. (9)	Could exceed (\$2,199,960)	Could exceed (\$2,933,280)	Could exceed (\$2,933,280)
<u>Revenue Reduction</u> - §144.030 - embolization device sales tax exemption - p. (10)	Could exceed (\$15,024)	Could exceed (\$20,032)	Could exceed (\$20,032)
<u>Revenue Reduction</u> - §144.030 - wheelchair accessories sales tax exemption - p. (10)	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - §144.030 & §144.615 - Sales /Use tax exemption on certain used goods - pp. (11-12)	(\$3,743,012)	(\$4,990,683)	(\$4,990,683)
<u>Revenue Reduction</u> - §144.812 - Sales & Use Tax Exemption for Certain Broadband Equipment p. (12)	Could exceed (\$2,073,994)	Could exceed (\$4,977,586)	Could exceed (\$4,977,586)
<u>Cost</u> - DOR - Sales tax computer and form upgrades	(\$26,015)	\$0	\$0
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>Could exceed (\$8,058,005)</b>	<b>Could exceed (\$12,921,581)</b>	<b>Could exceed (\$12,921,581)</b>
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Revenue Reduction</u> - §144.030 - brain cancer device sales tax exemption - p. (9)	Could exceed (\$733,320)	Could exceed (\$977,760)	Could exceed (\$977,760)

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<u>Revenue Reduction</u> - §144.030 - embolization device sales tax exemption - p. (10)	Could exceed (\$5,008)	Could exceed (\$6,677)	Could exceed (\$6,677)
<u>Revenue Reduction</u> - §144.030 - wheelchair accessories sales tax exemption - p. (10)	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - §144.030 & §144.615 - Sales /Use tax exemption on certain used goods - pp. (11-12)	(\$1,247,671)	(\$1,663,561)	(\$1,663,561)
<u>Revenue Reduction</u> - §144.812 - Sales & Use Tax Exemption for Certain Broadband Equipment	Could exceed (\$691,331)	Could exceed (\$1,659,195)	Could exceed (\$1,659,195)
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b>Could exceed (\$2,677,330)</b>	<b>Could exceed (\$4,307,193)</b>	<b>Could exceed (\$4,307,193)</b>
<b>CONSERVATION COMMISSION FUND</b>			
<u>Revenue Reduction</u> - §144.030 - brain cancer device sales tax exemption - p. (9)	Could exceed (\$91,665)	Could exceed (\$122,220)	Could exceed (\$122,220)
<u>Revenue Reduction</u> - §144.030 - embolization device sales tax exemption - p. (10)	Could exceed (\$626)	Could exceed (\$835)	Could exceed (\$835)
<u>Revenue Reduction</u> - §144.030 - wheelchair accessories sales tax exemption - p. (10)	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - §144.030 & §144.615 - Sales /Use tax exemption on certain used goods - pp. (11-12)	(\$155,959)	(\$207,945)	(\$207,945)

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<u>Revenue Reduction</u> - §144.812 - Sales & Use Tax Exemption for Certain Broadband Equipment	Could exceed (\$86,416)	Could exceed (\$207,399)	Could exceed (\$207,399)
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b>Could exceed (\$334,666)</b>	<b>Could exceed (\$538,399)</b>	<b>Could exceed (\$538,399)</b>
<b>PARKS AND SOILS STATE SALES TAX FUNDS</b>			
<u>Revenue Reduction</u> - §144.030 - brain cancer device sales tax exemption - p. (9)	Could exceed (\$73,332)	Could exceed (\$97,776)	Could exceed (\$97,776)
<u>Revenue Reduction</u> - §144.030 - embolization device sales tax exemption - p. (10)	Could exceed (\$501)	Could exceed (\$668)	Could exceed (\$668)
<u>Revenue Reduction</u> - §144.030 - wheelchair accessories sales tax exemption - p. (10)	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - §144.030 & §144.615 - Sales /Use tax exemption on certain used goods - pp. (11-12)	(\$124,767)	(\$166,356)	(\$166,356)
<u>Revenue Reduction</u> - §144.812 - Sales & Use Tax Exemption for Certain Broadband Equipment	Could exceed (\$69,133)	Could exceed (\$165,920)	Could exceed (\$165,920)
<b>ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS</b>	<b>Could exceed (\$267,733)</b>	<b>Could exceed (\$430,720)</b>	<b>Could exceed (\$430,720)</b>
<b>BINGO PROCEEDS FOR EDUCATION FUND (0289)</b>			

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<u>Loss - §313.057 - MGC/DESE - Elimination of bingo tax(es) - p. (12)</u>	<u>(\$1,158,600)</u>	<u>(\$1,365,153)</u>	<u>(\$1,340,575)</u>
<b>ESTIMATED NET EFFECT TO THE BINGO PROCEEDS FOR EDUCATION FUND (0289)</b>	<b><u>(\$1,158,600)</u></b>	<b><u>(\$1,365,153)</u></b>	<b><u>(\$1,340,575)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue Reduction - §144.030 - brain cancer device sales tax exemption - p. (9)</u>	Could exceed (\$3,270,607)	Could exceed (\$4,360,810)	Could exceed (\$4,360,810)
<u>Revenue Reduction - §144.030 - embolization device sales tax exemption - p. (10)</u>	Could exceed (\$22,336)	Could exceed (\$29,781)	Could exceed (\$29,781)
<u>Revenue Reduction - §144.030 - wheelchair accessories sales tax exemption - p. (10)</u>	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Reduction - §144.030 &amp; §144.615 - Sales /Use tax exemption on certain used goods - pp. (11-12)</u>	(\$5,564,612)	(\$7,419,482)	(\$7,419,482)
<u>Revenue Reduction - §144.812 - Sales &amp; Use Tax Exemption for Certain Broadband Equipment</u>	Could exceed (\$3,083,338)	Could exceed (\$7,400,011)	Could exceed (\$7,400,011)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>Could exceed (\$11,940,893)</u></b>	<b><u>Could exceed (\$19,210,084)</u></b>	<b><u>Could exceed (\$19,210,084)</u></b>

FISCAL IMPACT – Small Business

Certain small businesses that sell certain medical devices, used goods, and/or certain broadband equipment could be impacted by this proposal.

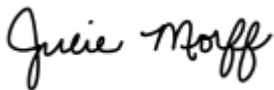
### FISCAL DESCRIPTION

The proposed legislation modifies provisions relating to sales taxes.

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 Public Safety:  
    Highway Patrol  
    Gaming Commission  
Missouri Department of Conservation  
Department of Natural Resources



Julie Morff  
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April 23, 2025



Jessica Harris  
Assistant Director  
April 23, 2025