

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1121H.02C  
Bill No.: HCS for HB Nos. 493 & 635  
Subject: Taxation and Revenue - General; Taxation and Revenue - Sales and Use; Property,  
Real and Personal; Department of Revenue; State Tax Commission  
Type: Original  
Date: February 25, 2025

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

**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 (\$3,743,012)	Could exceed (\$4,990,683)	Could exceed (\$4,990,683)
<b>Total Estimated Net Effect on General Revenue</b>	<b>Could exceed (\$3,743,012)*</b>	<b>Could exceed (\$4,990,683)</b>	<b>Could exceed (\$4,990,683)</b>

\*Oversight notes the fiscal impact for FY 2026 is lesser because FY 2026 is a partial year (9 months).

<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 (\$1,247,671)	Could exceed (\$1,663,561)	(Could exceed \$1,663,561)
Conservation Commission Fund (0609)	Could exceed (\$155,959)	Could exceed (\$207,945)	Could exceed (\$207,945)
Parks and Soils State Sales Tax Fund(s) (0613 & 0614)	Could exceed (\$124,767)	Could exceed (\$166,356)	Could exceed (\$166,356)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Could exceed (\$1,528,397)*</b>	<b>Could exceed (\$2,037,862)</b>	<b>Could exceed (\$2,037,862)</b>

\*Oversight notes the fiscal impact for FY 2026 is lesser because FY 2026 is a partial year (9 months).

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><u>Could exceed (\$5,564,612)*</u></b>	<b><u>Could exceed (\$7,419,482)</u></b>	<b><u>Could exceed (\$7,419,482)</u></b>

\*Oversight notes the fiscal impact for FY 2026 is lesser because FY 2026 is a partial year (9 months).

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **Sections 144.030 & 144.615 - Sales/Use Tax Exemption for Certain Used 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. Missouri's share of national consumption per the U.S. Bureau of Economic Analysis says Missouri is about 1.7% of the consumption. Which means Missouri 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		
State Funds	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)
Local Funds		
Local Sales Tax	(\$10,096,615)	(\$13,462,153)

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

**Oversight** notes the DOR requests one-time cost for website and computer 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 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<sup>1</sup>. 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 x 4.225%) and GR by \$4,990,683 (\$166,356,097 x 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.

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<sup>1</sup> <https://dor.mo.gov/taxation/business/documents/Auction-Companies.pdf>

Table 4: 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)

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

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.

**Oversight** notes per the [US Census Bureau](#), there were \$392,494,000 in sales for [used merchandise retailers](#) in Missouri in 2022.

**Oversight** notes officials from B&P and DOR 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 an amount that could exceed the amounts estimated by B&P in the fiscal note.

Officials from the **Phelps County Sheriff, 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.

**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 (9 Mo.)	FY 2027	FY 2028
<b>GENERAL REVENUE FUND</b>			
Revenue Reduction - §144.030 & 144.615 - Sales/use tax exemption for certain used personal property	<u>Could exceed</u> <u>(\$3,743,012)</u>	<u>Could exceed</u> <u>(\$4,990,683)</u>	<u>Could exceed</u> <u>(\$4,990,683)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>Could exceed</u></b> <b><u>(\$3,743,012)</u></b>	<b><u>Could exceed</u></b> <b><u>(\$4,990,683)</u></b>	<b><u>Could exceed</u></b> <b><u>(\$4,990,683)</u></b>
<b>SCHOOL DISTRICT TRUST FUND</b>			
Revenue Reduction - §144.030 & 144.615 - Sales/use tax exemption for certain used personal property	<u>Could exceed</u> <u>(\$1,247,671)</u>	<u>Could exceed</u> <u>(\$1,663,561)</u>	<u>(Could exceed</u> <u>\$1,663,561)</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b><u>Could exceed</u></b> <b><u>(\$1,247,671)</u></b>	<b><u>Could exceed</u></b> <b><u>(\$1,663,561)</u></b>	<b><u>(Could exceed</u></b> <b><u>\$1,663,561)</u></b>
<b>CONSERVATION COMMISSION FUND</b>			
Revenue Reduction - §144.030 & 144.615 - Sales/use tax exemption for certain used personal property	<u>Could exceed</u> <u>(\$155,959)</u>	<u>Could exceed</u> <u>(\$207,945)</u>	<u>Could exceed</u> <u>(\$207,945)</u>

<u>FISCAL IMPACT – State Government</u>	FY 2026 (9 Mo.)	FY 2027	FY 2028
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b><u>Could exceed</u> <u>(\$155,959)</u></b>	<b><u>Could exceed</u> <u>(\$207,945)</u></b>	<b><u>Could exceed</u> <u>(\$207,945)</u></b>
<b>PARKS AND SOILS STATE SALES TAX FUNDS</b>			
<u>Revenue Reduction - §144.030 &amp; 144.615 - Sales/use tax exemption for certain used personal property</u>	<u>Could exceed</u> <u>(\$124,767)</u>	<u>Could exceed</u> <u>(\$166,356)</u>	<u>Could exceed</u> <u>(\$166,356)</u>
<b>ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS</b>	<b><u>Could exceed</u> <u>(\$124,767)</u></b>	<b><u>Could exceed</u> <u>(\$166,356)</u></b>	<b><u>Could exceed</u> <u>(\$166,356)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (9 Mo.)	FY 2027	FY 2028
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue Reduction - §144.030 &amp; 144.615 - Sales/use tax exemption for certain used personal property</u>	<u>Could exceed</u> <u>(\$5,564,612)</u>	<u>Could exceed</u> <u>(\$7,419,482)</u>	<u>Could exceed</u> <u>(\$7,419,482)</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>Could exceed</u> <u>(\$5,564,612)</u></b>	<b><u>Could exceed</u> <u>(\$7,419,482)</u></b>	<b><u>Could exceed</u> <u>(\$7,419,482)</u></b>

#### FISCAL IMPACT – Small Business

Certain auction businesses that sell certain personal property as defined in the proposal could be impacted by this proposal.

#### FISCAL DESCRIPTION

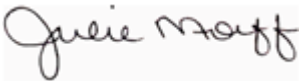
This bill exempts from sales tax all sales of used tangible personal property, including any tangible personal property that is sold a second time or any number of additional subsequent times after the initial point of sale, at an auction.

The provisions of this bill do 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  
Department of Natural Resources  
City of Kansas City  
Phelps County Sheriff  
Kansas City Police Dept.  
St. Louis County Police Dept



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February 25, 2025



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