

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2361H.01I
Bill No.: HB 1107
Subject: Taxation and Revenue - Sales and Use; Taxation and Revenue - General;
Department of Revenue; Food
Type: Original
Date: March 30, 2025

Bill Summary: This proposal modifies the definition of food to authorize a reduced sales tax on the purchase of dietary and nutritional supplements.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	Could exceed (\$20,674,761)*	Could exceed (\$27,566,348)	Could exceed (\$27,566,348)
Total Estimated Net Effect on General Revenue	Could exceed (\$20,674,761)*	Could exceed (\$27,566,348)	Could exceed (\$27,566,348)

* Oversight notes the fiscal impact for FY 2026 is lesser because FY 2026 is a partial year (9 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 144.014 - Sales and Use Tax Imposed on Certain Products

Officials from the **Office of Administration - Budget and Planning (B&P)** note starting August 28, 2025, the sales tax rate on dietary and nutritional supplements will be reduced to the rate levied on food. B&P notes that food is taxed at a state rate of 1.225%, as it is exempt from the 3% general revenue tax.

Based on published market research, the U.S. market for dietary supplements was \$53.58 billion in 2023. Assuming Missouri consumption is similar to the rest of the U.S., B&P estimates that Missouri accounts for approximately 1.7% of the total U.S. market.

Using the above information, B&P estimates that Missouri taxable sales of dietary supplements could be \$918,878,256 annually. Therefore, exempting these products from the 3% GR tax could reduce TSR and GR by \$27,566,348 annually.

Officials from the **Department of Revenue (DOR)** note this proposal, starting September 1, 2025, would modify the definition of food to include dietary and nutritional supplements. It should be noted that the current definition of food is one that matches the federal Supplemental Nutrition Assistance Program (SNAP) definition of food. Modifying the definition of food could potentially lose the state's SNAP program. DOR defers to DSS for that fiscal impact.

The definition of food in this section, determines the amount of state sales and use tax collected. Currently all items that are subject to the state sales and use tax are assessed a 4.225% tax. However, under Section 144.016, food is only assessed a 1.225% tax rate. The 3% collected for general revenue is not collected on food. The definition of food that assesses the lower tax rate are those items the Supplemental Nutrition Assistance program identifies as food.

This proposal does not include a definition of "dietary and nutritional supplements". DOR notes that vitamins, dietary and nutritional supplements that contain a nutrition label are taxed at the food sales tax rate of 1.225% instead of the 4.225% state sales tax rate already. DOR is unable to determine which dietary, and nutritional supplements 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.

DOR assumes for this fiscal note that dietary and nutritional supplements would include all vitamins and minerals sold in Missouri. Using market data, DOR notes that \$53,580,000,000 vitamins and minerals were sold in the U.S. in 2023. Assuming Missouri's share of the total market is 1.8% DOR can estimate that \$1,024,534,800 of these products are sold in Missouri.

Removing the 3% sales tax that is directed to general revenue would result in a loss of \$30,736,044 annually.

DOR is unable to determine if additional products would qualify as nutritional supplements under this proposal. DOR notes this proposal could be significantly underestimated.

This proposal would become effective August 28, 2025, and given that sales tax is remitted one month behind collection DOR can expect only a 9-month impact in FY 2026.

Fiscal Year	General Revenue Loss
2026	(\$23,052,033)
2027	(\$30,736,044)
2028+	(\$30,736,044)

This proposal will require DOR to modify the department's forms (\$2,200), website and computer programming (\$10,000).

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 Social Services** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

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

Oversight notes this would start August 28, 2025, and sales tax is remitted one month behind collection, therefore Oversight assumes this proposal would result in 9 months collected in FY 2026.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (9 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
<u>Revenue Reduction - §144.014 -</u> Reduction of sales tax for dietary and nutritional supplements	Could exceed <u>(\$20,674,761)</u>	Could exceed <u>(\$27,566,348)</u>	Could exceed <u>(\$27,566,348)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	Could exceed <u>(\$20,674,761)</u>	Could exceed <u>(\$27,566,348)</u>	Could exceed <u>(\$27,566,348)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (9 Mo.)	FY 2027	FY 2028
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Certain small businesses that sell dietary and nutritional supplements could be impacted by this proposal.

FISCAL DESCRIPTION

Currently, a tax is levied on the retail sale of food at a rate of 1%. This bill changes the definition of food for this purpose to also include all dietary and nutritional supplements.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning

Department of Revenue

Department of Social Services



Julie Morff

Director

March 30, 2025



Jessica Harris

Assistant Director

March 30, 2025