

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2361H.02C
Bill No.: HCS for HB 1107
Subject: Taxation and Revenue - Sales and Use; Taxation and Revenue - General;
Department of Revenue; Food
Type: Original
Date: April 23, 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 us Missouri its 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 includes a definition of “dietary and nutritional supplements” as ones identified by 21 U.S.C. Section 321(ff). 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 at this time to determine which dietary, and nutritional supplements contain the nutrition label and are assessed at the lower vs higher rate, or which ones would qualify under the U.S.C. Section 321 (ff). 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 its 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 for this agency.

Oversight notes according to the [Supplemental Nutrition Assistance Program](#), if an item has a Supplement Facts label, it is considered a supplement and is not eligible for SNAP purchase, therefore it is subject to the full state sales tax rate.

Oversight notes this provision adds dietary and nutritional supplements to the items subject to the reduced state sales tax rate. The proposal defines dietary supplements as defined under [21 U.S.C. Section 321\(ff\)](#):

The term "dietary supplement"-

(1) means a product (other than tobacco) intended to supplement the diet that bears or contains one or more of the following dietary ingredients:

- (A) a vitamin;
- (B) a mineral;
- (C) an herb or other botanical;
- (D) an amino acid;
- (E) a dietary substance for use by man to supplement the diet by increasing the total dietary intake; or

(F) a concentrate, metabolite, constituent, extract, or combination of any ingredient described in clause (A), (B), (C), (D), or (E);

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 BAP'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</u> - §144.014 - Reduction of sales tax for dietary and nutritional supplements | Could exceed (\$20,674,761) | Could exceed (\$27,566,348) | Could exceed (\$27,566,348) |
| | | | |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | Could exceed (\$20,674,761) | Could exceed (\$27,566,348) | Could exceed (\$27,566,348) |

| <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



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Director
April 23, 2025



Jessica Harris
Assistant Director
April 23, 2025