

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4170H.01I
 Bill No.: HB 1883
 Subject: Taxation and Revenue - General; Taxation and Revenue - Sales and Use; Property, Real and Personal; Department of Revenue; State Tax Commission
 Type: Original
 Date: January 12, 2026

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	Less than (\$3,937,500)*	Less than (\$5,250,000)	Less than (\$5,250,000)
Total Estimated Net Effect on General Revenue	Less than (\$3,937,500)*	Less than (\$5,250,000)	Less than (\$5,250,000)

*Oversight notes the fiscal impact for FY 2027 is lesser because FY 2027 is a partial year (9 months).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
School District Trust Fund (1688)	Less than (\$1,312,500)*	Less than (\$1,750,000)	Less than (\$1,750,000)
Conservation Commission Fund (1609)	Less than (\$164,063)*	Less than (\$218,750)	Less than (\$218,750)
Parks and Soils State Sales Tax Fund(s) (1613 & 1614)	Less than (\$131,250)*	Less than (\$175,000)	Less than (\$175,000)
Total Estimated Net Effect on Other State Funds	Less than (\$1,607,813*)	Less than (\$2,143,750)	Less than (\$2,143,750)

*Oversight notes the fiscal impact for FY 2027 is lesser because FY 2027 is a partial year (9 months).

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
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 2027	FY 2028	FY 2029
Local Government	Less than (\$6,168,750)*	Less than (\$8,225,000)	Less than (\$8,225,000)

*Oversight notes the fiscal impact for FY 2027 is lesser because FY 2027 is a partial year (9 months).

FISCAL ANALYSIS

ASSUMPTION

§§144.030 and 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 auction 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 4.7% 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, 2026. 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 2027).

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

Estimate Revenue Impact by Fund

<u>State Funds</u>	FY 2027	FY 2028+
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)

<u>Locals Funds</u>	FY 2027	FY 2028+
Local Sales Tax	(\$10,639,931)	(\$14,186,574)

This will require the Department to update our website and computer programs (\$1,887).

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 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 taxation¹. However, consignment sales at auction are subject to state and local sales tax.

Based on industry research, B&P determined that in the Missouri auction consignment sales (excluding: livestock, farms, real estate, land, and motor vehicles) generate approximately \$175 million in revenue per year.

Therefore, B&P estimates that this proposal could reduce TSR by up to \$7,393,750 and GR by up to \$5,250,000 annually. This provision could also reduce local sales tax collections by up to \$8,225,000 annually.

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

Estimated Revenue Impact by Fund

<u>State Fund</u>	FY 2027	FY 2028+
General Revenue	(\$3,937,500)	(\$5,250,000)
Education (SDTF)	(\$1,312,500)	(\$1,750,000)
Conservation	(\$164,063)	(\$218,750)
DNR	(\$131,250)	(\$175,000)
Total State Loss	(\$5,545,313)	(\$7,393,750)

<u>Local Funds</u>	FY 2027	FY 2028+
Local Sales Tax	(\$6,168,750)	(\$8,225,00)

B&P notes that of the \$175 million market, sales tax is not owed on some and not collected on others. Therefore, the actual revenue loss from this proposal may be significantly less than the amounts shown in the table above.

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 fiscal impact estimates for MDC's funds.

Officials from the **High Point R-III School District** assume a fiscal impact of an indeterminate amount.

Officials from the **City of Kansas City** assume the proposed legislation will have a negative fiscal impact of an indeterminate amount for both the City and the Kansas City Missouri Police Department.

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 proposal may decrease the amount of sales tax revenue distributed to this fund. Therefore, Oversight will show B&P's 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 is less than the amounts estimated by B&P in the fiscal note.

Officials from the **Newton County Health Department** assume the proposal will have no fiscal impact on their organization.

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 2027 (9 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
Revenue Loss – (§§144.030 & 144.615) Sales/use tax exemption for certain used personal property p.5	Less than (\$3,937,500)	Less than (\$5,250,000)	Less than (\$5,250,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	Less than (\$3,937,500)	Less than (\$5,250,000)	Less than (\$5,250,000)
SCHOOL DISTRICT TRUST FUND			
Revenue Loss – (§§144.030 & 144.615) Sales/use tax exemption for certain used personal property p.5	Less than (\$1,312,500)	Less than (\$1,750,000)	Less than (\$1,750,000)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	Less than (\$1,312,500)	Less than (\$1,750,000)	Less than (\$1,750,000)
CONSERVATION COMMISSION FUND			

<u>FISCAL IMPACT – State Government</u>	FY 2027 (9 Mo.)	FY 2028	FY 2029
<u>Revenue Loss</u> – MDC (§§144.030 & 144.615) Sales/use tax exemption for certain used personal property p.5	Less than (\$164,063)	Less than (\$218,750)	Less than (\$218,750)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	Less than (\$164,063)	Less than (\$218,750)	Less than (\$218,750)
PARKS AND SOILS STATE SALES TAX FUNDS			
<u>Revenue Loss</u> – DNR (§§144.030 & 144.615) Sales/use tax exemption for certain used personal property p.5	Less than (\$131,250)	Less than (\$175,000)	Less than (\$175,000)
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS	Less than (\$131,250)	Less than (\$175,000)	Less than (\$175,000)

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss</u> – (§§144.030 & 144.615) Sales/use tax exemption for certain used personal property p.5	Less than (\$6,168,750)	Less than (\$8,225,000)	Less than (\$8,225,000)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	Less than (\$6,168,750)	Less than (\$8,225,000)	Less than (\$8,225,000)

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

The proposed legislation provides a sales tax exemption for certain used personal property.

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
Missouri Department of Conservation
Department of Natural Resources
High Point R-Iii School District
City of Kansas City
Newton County Health Department



Julie Morff
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January 12, 2026



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