

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5133H.011
 Bill No.: HB 2243
 Subject: Taxation and Revenue - General; Taxation and Revenue - Sales and Use; Tax Incentives; Department of Revenue; Counties; Cities, Towns, and Villages
 Type: Original
 Date: January 15, 2026

Bill Summary: This proposal modifies provisions relating to local sales tax law exemptions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	\$264,485*	\$352,646	\$352,646
Total Estimated Net Effect on General Revenue	\$264,485*	\$352,646	\$352,646

*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
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 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> 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	\$26,183,945*	\$34,911,927	\$34,911,927

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

FISCAL ANALYSIS

ASSUMPTION

§144.054 - Repeal of Sales Tax Exemption for Certain Industries

Officials from the **Department of Revenue (DOR)** note in 2021 with the passage of SB 153, manufacturing activity was exempted from local sales tax. It was previously only exempted from the state sales tax. This proposal starting August 28, 2026, would again require the payment of the local sales tax on manufacturing activity.

The last year this local tax was collected was tax year 2022. DOR records indicate the receipt of \$35,264,573 in local sales tax. DOR notes that when collecting sales or use tax, DOR is able to retain 1% to cover collection costs.

Sales tax is remitted one month behind collection. Therefore, with an effective date of August 28, 2026, DOR assumes only 9 months of collection in FY 2027.

Fiscal Year	DOR 1% fee	Local sales tax
2027	\$264,485	\$26,183,945
2028+	\$352,646	\$34,911,927

This will require DOR to modify its forms (\$2,200), the department's website and its computer system with its distribution program (\$10,000).

Oversight notes the DOR requests a one-time cost for website/form changes 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 beginning August 28, 2026, this proposal would reinstate local sales tax on manufacturing activities. B&P notes that SB 153 (2021) exempted manufacturing activity from local sales tax as part of simplifying the sales tax code in preparation of online use tax.

In tax year 2022, the last year local taxes were collected on manufacturing activities, \$35,264,573 was collected. B&P notes that DOR is allowed to retain 1% for collection costs.

Therefore, B&P estimates that this proposal could increase GR by \$264,484 and local sales tax collections by \$26,183,946 in FY26. Once fully implemented, this proposal could increase GR by \$352,646 and local sales tax collections by \$34,911,927 annually.

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 increase the amount of sales tax revenue distributed to this fund. Therefore, Oversight will show DOR & B&P’s estimates for MDC’s funds.

Officials from the **Missouri Department of Conservation** assume the proposal will have no fiscal impact on their organization.

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 proposal may increase the amount of sales tax revenue distributed to this fund. Therefore, Oversight will show DOR & B&P’s estimates for MDC’s funds.

Officials from the **City of Kansas City** assume this legislation has a potential positive fiscal impact of an indeterminate amount.

Oversight notes officials from B&P and DOR both assume the proposal will have a direct fiscal impact on state and local revenues. Oversight does not have any information to the contrary. Therefore, Oversight will reflect DOR’s and B&P’s estimated impact in the fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (9 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Revenue Gain – (\$144.054) – DOR - Repeal of local sales tax exemption for certain industries, 1% collection fee p. 3</u>	<u>\$264,485</u>	<u>\$352,646</u>	<u>\$352,646</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$264,485</u>	<u>\$352,646</u>	<u>\$352,646</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (9 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Gain</u> – (\$144.054) - Repeal of local sales tax exemption for certain industries p. 3	<u>\$26,183,945</u>	<u>\$34,911,927</u>	<u>\$34,911,927</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$26,183,945</u>	<u>\$34,911,927</u>	<u>\$34,911,927</u>

FISCAL IMPACT – Small Business

Certain manufacturing businesses could be impacted by this proposal.

FISCAL DESCRIPTION

Currently, industries that use or consume:

- (1) Electrical energy and gas (whether natural or artificial);
- (2) Propane, water, coal, and energy sources;
- (3) Chemicals; and
- (4) Machinery, equipment, and materials;

in the manufacturing, processing, compounding, mining, or producing of any product, or use or consume such things in the processing of recovered materials, or use such things in research and development related to manufacturing, processing, compounding, mining, or producing any product, are exempt from local sales taxes, as specified in the bill.

The bill repeals such exemption from local sales tax.

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

L.R. No. 5133H.01I

Bill No. HB 2243

Page 6 of 6

January 15, 2026

SOURCES OF INFORMATION

Department of Revenue (DOR)

Office of Administration - Budget and Planning (B&P)

Department of Natural Resources

Missouri Department of Conservation

City of Kansas City



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