

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 7221H.011
 Bill No.: HB 3308
 Subject: Taxation and Revenue - Sales and Use; Taxation and Revenue - General
 Type: Original
 Date: February 24, 2026

Bill Summary: This proposal authorizes a sales tax exemption for certain purchases of materials and equipment.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue*	(Unknown, could exceed \$85,044)	(Unknown, could exceed \$78,358)	(Unknown, could exceed \$79,598)
Total Estimated Net Effect on General Revenue	(Unknown, could exceed \$85,044)	(Unknown, could exceed \$78,358)	(Unknown, could exceed \$79,598)

*Oversight notes the above unknown loss of revenue represents the forgone sales tax revenue from the proposed sales tax exemption. Oversight assumes the loss of revenue could exceed (\$250,000).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
School District Trust Fund (1688)	(Unknown)	(Unknown)	(Unknown)
Conservation Commission Fund (1609)	(Unknown)	(Unknown)	(Unknown)
Parks and Soils State Sales Tax Fund(s) (1613 & 1614)	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds*	(Unknown)	(Unknown)	(Unknown)

*Oversight notes the above unknown loss of revenue represents the forgone sales tax revenue from the proposed sales tax exemption. Oversight assumes the loss of revenue could exceed (\$250,000).

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
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

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	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Officials from the **Office of Administration - Budget and Planning** did not respond to **Oversight's** request for fiscal impact for this proposal.

§144.054 - Sales Tax Exemption for Certain Purchases of Materials and Equipment

Officials from the **Department of Revenue (DOR)** assume in Section 144.020 items that are sold are subject to state and local sales and use tax unless specifically excluded by statute. 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%

DOR uses a 4.7% rate when calculating local sales tax.

This proposal creates an exemption for sales and purchases of equipment and materials purchased by a contractor or subcontractor for the purpose of making improvements to real property that is part of an approved development plan that will be conveyed by deed to the U.S Government, State or any local political subdivision. This legislation specifically excludes the collection of both the state and local sales tax.

DOR notes that many materials used by contractors that are working on a project paid for by a political subdivision already have this sales tax exemption under Section 144.062. This appears to expand the exemption to projects that will be conveyed.

DOR is unable to estimate the amount of construction that will be conveyed to the state or to local political subdivisions. DOR notes that any purchases eligible for this exemption would result in a loss to the state sales tax funds as well as to local sales tax funds. DOR notes that for each \$250,000 in supplies purchased, the state would lose \$10,563 in state sales tax. Additionally, local tax would be lost. DOR is unable to determine the impact of this proposal given the unknowns, but DOR estimates that it could potentially exceed \$250,000 annually.

In order to implement, DOR would create an application that eligible builders could complete to apply for a sales tax exemption letter. That application is estimated to cost \$2,200. DOR would

need an Associate Customer Service Representative (\$42,953 salary plus years of service pay) to administer this program. The FTE would be responsible for maintaining the list of participating projects and making sure the eligible builders use the supplies for their projects. DOR notes this would require the department to update its sales tax collection and distribution computer programs at a cost of \$5,661.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the Department of Revenue.

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 proposal may decrease the amount of sales tax revenue distributed to this fund. Therefore, Oversight will show DOR's estimates for MDC's funds.

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

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Revenue Loss</u> – (§144.054) Sales tax exemption for certain purchases of materials and equipment p.3	(Unknown)	(Unknown)	(Unknown)
<u>Cost – DOR</u> (§144.054) p.3			
Personal Service	(\$35,794)	(\$43,812)	(\$44,688)
Fringe Benefits	(\$28,010)	(\$33,957)	(\$34,310)
Expense & Equipment	(\$21,240)	(\$589)	(\$600)
<u>Total Costs – DOR</u>	<u>(\$85,044)</u>	<u>(\$78,358)</u>	<u>(\$79,598)</u>
FTE Change – DOR	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	(Unknown, could exceed \$85,044)	(Unknown, could exceed \$78,358)	(Unknown, could exceed \$79,598)
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE
SCHOOL DISTRICT TRUST FUND(1688)			
<u>Revenue Loss</u> – (§144.054) Sales tax exemption for certain purchases of materials and equipment p.3	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND (1688)	(Unknown)	(Unknown)	(Unknown)
CONSERVATION COMMISSION FUND (1609)			
<u>Revenue Loss</u> – (§144.054) Sales tax exemption for certain purchases of materials and equipment p.3	(Unknown)	(Unknown)	(Unknown)

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND (1609)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PARKS AND SOILS STATE SALES TAX FUNDS (1613 & 1614)			
<u>Revenue Loss</u> – (§144.054) Sales tax exemption for certain purchases of materials and equipment p.3	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS (1613 & 1614)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss</u> – (§144.054) Sales tax exemption for certain purchases of materials and equipment p.3	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT – Small Business

Certain small businesses that sell and/or purchase certain equipment and materials could be impacted by this proposal.

FISCAL DESCRIPTION

This bill exempts from sales and use tax all sales and purchases of equipment and materials by a contractor or subcontractor for development and construction of improvements to real property that will, under an approved development plan, be deeded to the United States government, the State, or any county, municipality, or other political subdivision of the State.

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
Missouri Department of Conservation
City of Kansas City



Julie Morff
Director
February 24, 2026



Jessica Harris
Assistant Director
February 24, 2026