

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5736-01  
Bill No.: HB 1666  
Subject: Taxation and Revenue - Sales and Use; Prisons and Jails  
Type: Original  
Date: March 3, 2014

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Bill Summary: This proposal would create a sales and use tax exemption for sales made at prison canteens.

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>       |                    |                    |                    |
|---|--------------------|--------------------|--------------------|
| <b>FUND AFFECTED</b>                                      | <b>FY 2015</b>     | <b>FY 2016</b>     | <b>FY 2017</b>     |
| General Revenue   | (\$750,000)        | (\$900,000)        | (\$900,000)        |
|   |                    |                    |                    |
| <b>Total Estimated Net Effect on General Revenue Fund</b> | <b>(\$750,000)</b> | <b>(\$900,000)</b> | <b>(\$900,000)</b> |

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>              |                    |                    |                    |
|---|--------------------|--------------------|--------------------|
| <b>FUND AFFECTED</b>  | <b>FY 2015</b>     | <b>FY 2016</b>     | <b>FY 2017</b>     |
| Conservation Commission                                       | (\$31,250)         | (\$37,500)         | (\$37,500)         |
| Parks, and Soil and Water                                     | (\$25,000)         | (\$30,000)         | (\$30,000)         |
| School District Trust   | (\$250,000)        | (\$300,000)        | (\$300,000)        |
| <b>Total Estimated Net Effect on <u>Other</u> State Funds</b> | <b>(\$306,250)</b> | <b>(\$367,500)</b> | <b>(\$367,500)</b> |

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2015</b> | <b>FY 2016</b> | <b>FY 2017</b> |
|   |                |                |                |
|   |                |                |                |
| <b>Total Estimated Net Effect on <u>All</u> Federal Funds</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

| <b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b> |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                      | <b>FY 2015</b> | <b>FY 2016</b> | <b>FY 2017</b> |
|   |                |                |                |
|   |                |                |                |
| <b>Total Estimated Net Effect on FTE</b>                  | <b>0</b>       | <b>0</b>       | <b>0</b>       |

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                    |                      |                      |
|--|--------------------|----------------------|----------------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2015</b>     | <b>FY 2016</b>       | <b>FY 2017</b>       |
| <b>Local Government</b>                    | <b>(\$925,000)</b> | <b>(\$1,110,000)</b> | <b>(\$1,110,000)</b> |

### FISCAL ANALYSIS

#### ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Corrections (DOC)** assume this proposal would create a sales and use tax exemption for sales made at prison canteens. DOC officials noted their department had recently implemented the process of collecting sales tax on offender canteen purchases but did not provide information as to the amount of canteen sales which might be subject to tax under current provisions.

Officials from the **Office of Administration - Division of Budget and Planning** did not respond to our request for information.

ASSUMPTION (continued)

Officials from the **Joint Committee on Administrative Rules** and the **Department of Revenue** assume this proposal would have no fiscal impact their organizations.

**Oversight** does not have any information on Department of Corrections canteen sales; however, a report from the Office of the State Auditor indicated sales for the year ended June 30, 2008 were approximately \$30 million. Sales tax on that amount would be as shown in the following table.

| <u>Fund or entity</u>        | <u>Sales Tax Rate</u> | <u>Revenue Reduction</u> |                   |
|------------------------------|-----------------------|--------------------------|-------------------|
|                              |                       | <u>Annual</u>            | <u>Ten Months</u> |
| General Revenue              | 3.000%                | \$900,000                | \$750,000         |
| School District Trust        | 1.000%                | \$300,000                | \$250,000         |
| Conservation<br>Commission   | 0.125%                | \$37,500                 | \$31,250          |
| Parks, and Soil and<br>Water | 0.100%                | \$30,000                 | \$25,000          |
| Local Governments *          | 3.700%                | \$1,110,000              | \$925,000         |

\* The 3.7% average rate for local governments was computed by Oversight based on collections reported by the Department of Revenue.

**Oversight** understands that sales tax revenues in the School District Trust Fund are distributed along with other revenues to local school districts but will not show those transfers in this fiscal note.

| <u>FISCAL IMPACT - State Government</u>                               | FY 2015<br>(10 Mo.)       | FY 2016                   | FY 2017                   |
|---|---------------------------|---------------------------|---------------------------|
| <b>GENERAL REVENUE FUND</b>   |                           |                           |                           |
| <u>Revenue reduction - DOR</u>  |                           |                           |                           |
| Sales Tax exemption<br>Section 144.030                                | <u>(\$750,000)</u>        | <u>(\$900,000)</u>        | <u>(\$900,000)</u>        |
| <b>ESTIMATED NET EFFECT ON<br/>GENERAL REVENUE FUND</b>               | <b><u>(\$750,000)</u></b> | <b><u>(\$900,000)</u></b> | <b><u>(\$900,000)</u></b> |
| <b>CONSERVATION COMMISSION<br/>FUND</b>                               |                           |                           |                           |
| <u>Revenue reduction - DOR</u>  |                           |                           |                           |
| Sales Tax exemption<br>Section 144.030                                | <u>(\$31,250)</u>         | <u>(\$37,500)</u>         | <u>(\$37,500)</u>         |
| <b>ESTIMATED NET EFFECT ON<br/>CONSERVATION COMMISSION<br/>FUND</b>   | <b><u>(\$31,250)</u></b>  | <b><u>(\$37,500)</u></b>  | <b><u>(\$37,500)</u></b>  |
| <b>PARKS, AND SOIL AND WATER<br/>FUND</b>                             |                           |                           |                           |
| <u>Revenue reduction - DOR</u>  |                           |                           |                           |
| Sales Tax exemption<br>Section 144.030                                | <u>(\$25,000)</u>         | <u>(\$30,000)</u>         | <u>(\$30,000)</u>         |
| <b>ESTIMATED NET EFFECT ON<br/>PARKS, AND SOIL AND WATER<br/>FUND</b> | <b><u>(\$25,000)</u></b>  | <b><u>(\$30,000)</u></b>  | <b><u>(\$30,000)</u></b>  |

|   |          |         |         |
|---|----------|---------|---------|
| <u>FISCAL IMPACT - State Government</u> | FY 2015  | FY 2016 | FY 2017 |
| (Continued)                             | (10 Mo.) |         |         |

**SCHOOL DISTRICT TRUST FUND**

|                                |                    |                    |                    |
|--------------------------------|--------------------|--------------------|--------------------|
| <u>Revenue reduction - DOR</u> |                    |                    |                    |
| Sales Tax exemption            |                    |                    |                    |
| Section 144.030                | <u>(\$250,000)</u> | <u>(\$300,000)</u> | <u>(\$300,000)</u> |

|                                   |                           |                           |                           |
|-----------------------------------|---------------------------|---------------------------|---------------------------|
| <b>ESTIMATED NET EFFECT ON</b>    |                           |                           |                           |
| <b>SCHOOL DISTRICT TRUST FUND</b> | <b><u>(\$250,000)</u></b> | <b><u>(\$300,000)</u></b> | <b><u>(\$300,000)</u></b> |

|   |          |         |         |
|---|----------|---------|---------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2015  | FY 2016 | FY 2017 |
|   | (10 Mo.) |         |         |

**LOCAL GOVERNMENTS**

|                                |                    |                      |                      |
|--------------------------------|--------------------|----------------------|----------------------|
| <u>Revenue reduction - DOR</u> |                    |                      |                      |
| Sales Tax exemption            |                    |                      |                      |
| Section 144.030                | <u>(\$925,000)</u> | <u>(\$1,110,000)</u> | <u>(\$1,110,000)</u> |

|                                |                           |                             |                             |
|--------------------------------|---------------------------|-----------------------------|-----------------------------|
| <b>ESTIMATED NET EFFECT ON</b> |                           |                             |                             |
| <b>LOCAL GOVERNMENTS</b>       | <b><u>(\$925,000)</u></b> | <b><u>(\$1,110,000)</u></b> | <b><u>(\$1,110,000)</u></b> |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal would create a sales and use tax exemption for sales made at prison canteens.

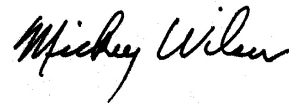
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State  
Joint Committee on Administrative Rules  
Department of Corrections  
Department of Revenue  
St. Louis County  
City of Columbia

**Not responding:**

Office of Administration - Division of Budget and Planning



Mickey Wilson, CPA  
Director  
March 3, 2014

Ross Strope  
Assistant Director  
March 3, 2014