

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5458-01
Bill No.: HB 1831 with SA 2
Subject: Taxation and Revenue - Sales and Use, Department of Revenue, Taxation and Revenue - General, Business and Commerce
Type: Original
Date: May 18, 2018

Bill Summary: This proposal changes the laws regarding the sales tax holiday that occurs in early August by adding an exemption for disposable diapers.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§144.049 School Sales Tax Holiday

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal adds disposable diapers for infants and adults to the Back-to-School sales tax holiday. B&P notes that per DOR's website, disposable diapers are already listed as approved clothing items for the purpose of the sales tax holiday. B&P further notes that the website does not make a distinction between infant and adult diapers. Therefore, B&P estimates that this proposal will not impact Total State Revenue or General Revenue. This proposal will not impact the calculation under Article X, Section 18(e).

Officials at the **Department of Revenue (DOR)** assume there is no fiscal impact from this proposal.

Officials at **St. Louis County** assume it is too difficult to determine the loss of revenue; however, they anticipate the loss would be minimal.

Officials at the **City of Kansas City** assumes a minimal impact.

Officials at **Boone County** and the **City of Columbia** each assume there is no fiscal impact from this proposal as they opt-out of the local sales tax holiday.

Oversight notes that since diapers are already considered an approved clothing item per the Department of Revenue, this proposal would not have any additional fiscal impact.

§144.011 Dues Sales Tax Exemption (Senate Amendment 2)

In response to similar legislation filed this year, SB 632 & 675, officials at the **DOR** assumed this legislation appears to have a minimal negative impact. Based on Department records, there are approximately 268 501(c)(7) organizations registered in Missouri. Out of those 268 entities, 10 remit sales tax to the Department.

In response to similar legislation filed this year, SB 632 & 675, officials at the **B&P** assumed this section states that charges for initiation fees or dues for 501(c)(7) organizations shall not be subject to sales tax. Based on information from DOR, this provision may have a minimal negative impact on Total State Revenue and General Revenue.

ASSUMPTION (continued)

Oversight notes this proposal would exempt from sales tax non-profit organizations exempt from taxation under Section 501(c)(7) of the IRS Code of 1986. The IRS defines 501(c)(7) as social clubs and can include the following:

- College social/academic fraternities and sororities
- Country clubs
- Amateur hunting, fishing, tennis, swimming and other sport clubs
- Dinner clubs that provide a meeting place library, and dining room for members
- Variety clubs
- Hobby clubs
- Homeowners or community associations whose primary function is to own and maintain recreational areas and facilities.

Oversight assumes that since DOR is the administrator of the sales tax and was able to pull data on existing 501(c)(7) organizations, that their information may be more accurate. Oversight notes that the sales tax does impact General Revenue, the School District Trust Fund, the Conservation Commission Fund, the Parks, Soil & Water Fund as well as Local Political Subdivisions. Based on DOR's response, Oversight will not show an impact from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION


The proposed legislation appears to have no direct fiscal impact.

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

Boone County
City of Columbia
City of Kansas City
Department of Revenue
Office of Administration
 Division of Budget and Planning
St. Louis County

Ross Strope



Acting Director
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