

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5159-02  
Bill No.: HCS for HB 2303  
Subject: Taxation and Revenue - General; Taxation and Revenue - Sales and Use;  
Department of Revenue; Transportation; Motor Fuel; Aircraft and Airports  
Type: Original  
Date: February 24, 2020

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Bill Summary: This proposal modifies provisions relating to a sales and use tax exemption for sales of aviation jet fuel.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2025)
General Revenue*	(Unknown)	(Unknown)	(Unknown)	Could Exceed (\$8,847,000)
<b>Total Estimated Net Effect on General Revenue*</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>Could Exceed (\$8,847,000)</b>

\* Oversight notes FY 2025 represents a continuation of existing sales tax exemptions that are currently set to expire December 31, 2023.

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 11 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>Fully Implemented (FY 2025)</b>
Conservation Commission (0609)*	\$0	\$0	\$0	Could exceed (\$161,131)
Parks, Soil, & Water (0613 & 0614)*	\$0	\$0	\$0	Could exceed (\$128,905)
Aviation Trust Fund (0952)*	\$0	\$0	\$0	\$4,979,858
School District Trust (0688)*	\$0	\$0	\$0	Could exceed (\$1,289,047)
<b>Total Estimated Net Effect on <u>Other</u> State Funds*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>Less than \$3,400,775</b>

\* Oversight notes this represents a continuation of existing sales tax exemptions that are currently set to expire December 31, 2023.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>Fully Implemented (FY 2025)</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</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 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>Fully Implemented (FY 2025)</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>Fully Implemented (FY 2025)</b>
<b>Local Government*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>Could exceed (\$11,800,000)</b>

\* Oversight notes this represents a continuation of existing sales tax exemptions that are currently set to expire December 31, 2023.

## FISCAL ANALYSIS

### ASSUMPTION

Officials from **Department of Revenue (DOR)** assume Section 143.441 adds freight forwarders to the definition of corporations. DOR assumes an unknown impact on Total State Revenue and General Revenue. Additionally, the proposal would extend the sunset date on the aviation jet fuel tax in Section 144.805. This tax was to sunset on December 31, 2023 and is extended to December 31, 2033. The extension of the sunset date will not fiscally impact the Department.

For informational purposes, DOR provided the amount collected each of the last four years.

FY 2015	\$4,823,355
FY 2016	\$4,663,184
FY 2017	\$3,889,020
FY 2018	\$6,543,872

**Oversight** notes this proposal would continue to exempt jet fuel from state sales and use tax and local sales tax after the first \$1.5 million in state sales and use tax is paid. Aviation jet fuel for federal grant recipients, airports that have been approved for federal grant funds or which are otherwise eligible to apply for federal grant funds, would be exempt from local sales and use tax, at the rates that were in effect December 30, 1987.

### Oversight Estimation of Forgone Sale and Use Tax Collection

The average sales tax collection by DOR between FY 2015 and FY 2018 was \$4,979,858.

Per U.S. Energy Information Administration the average purchase of jet fuel in Missouri between FY 2015 and FY 2018 was \$ 294.9 Million.

ASSUMPTION (continued)

The average annual cost to the state is estimated as follows (on \$294.9 million of jet fuel sales):

<b>Tax</b>	<b>Potential collection</b>	<b>Actual collection</b>	<b>Difference (forgone tax)</b>
3% GR Sales Tax	\$8,847,000	\$0	(\$8,847,000)
Aviation Trust Fund	\$0	\$4,979,858	\$4,979,858
1% School District Trust	\$2,949,000	\$1,659,953	(\$1,289,047)
.1 % Park, Soil, Water	\$294,900	\$165,995	(\$128,905)
.125% Conservation	\$368,625	\$207,494	(\$161,131)
<b>Total Tax</b>	<b>\$12,459,525</b>	<b>7,013,300</b>	<b>(\$5,446,225)</b>

\* Estimate does not include the loss generated by section 144.809 of this proposal.

Oversight used above calculation to estimate the annual Local Sale tax loss as follows:

**Oversight** notes roughly the average local rate of sales & use tax percentage in Saint Louis Lambert International Airport (Lambert) and Kansas City International Airport (KCI) is 4.4 %. Therefore, Oversight will show fiscal impact to local political subdivisions as \$11.8 M (294 M (Avg. Jet Fuel Purchase) x 4.4%).

**Oversight** notes DOR indicated they did not anticipate a reduction in funding from section 144.807, relative to what is currently collected, because the department is collecting \$0 revenue due to the exemption in current law. However, Oversight considers the extension of a sunset date as having an impact because the baseline of current law assumes the exemption would cease and the money would have been collected if not for this bill. Therefore, Oversight will show an unknown negative fiscal impact to General Revenue for the extension of the sales tax exemption authorized in Section 144.807.

**Oversight** has estimated the loss to political subdivisions as shown above for exempting aviation jet fuel used or consumed at airports which are recipients of federal grant funds, or have applied for or been approved for federal grant funds, from local sales and use tax, at the rates that were in effect December 30, 1987. Oversight assumes this proposed legislation would extend an existing provision by removing or changing the expiration date. Oversight also assumes that removing or changing the expiration date would extend any fiscal impact associated with the existing provision. Therefore, Oversight will include an estimated impact in this fiscal note.

ASSUMPTION (continued)

Officials from the **Department of Transportation, Department of Natural Resources, and Missouri Department of Conservation** each defer to the DOR to estimate the fiscal impact of the proposed legislation on their respective organization.

Officials from **Department of Natural Resources (DNR)** assume extending the sales tax exemption for aviation jet fuel could decrease the future amount of incoming revenues available in the Parks and Soils Sales Tax Funds for long term operation of Missouri's state parks and historic sites as well as assistance to agricultural landowners through volunteer programs.

The Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Therefore, the sales tax exemption could result in an unknown loss to the Parks and Soils Sales Tax Funds.

Officials from **Department of Conservation (DOC)** assume the proposal would have an unknown fiscal impact but greater than \$100,000. 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. Any change in sales and use tax collected would affect revenue to the Conservation Sales Tax funds. However, the initiative is very complex and may require adjustments to Missouri sales tax law which could cause some downside risk to the Conservation Sales Tax.

Office of **Administration Budget and Planning (B&P)** assume Section 143.441 adds freight forwarders to the definition of corporations. B&P assumes an unknown impact on Total State Revenue and General Revenue. Additionally, Section 144.805 would extend the sunset date from 2023 to 2033 for the aviation jet fuel sales tax exemption. B&P notes that since this is only a sunset extension this provision will not impact TSR or the calculation under Article X, Section 18(e).

**Oversight** notes that DOR's and B&P's assumptions do not include forgone sales and use tax effects on each department's funds; therefore, Oversight will note the loss of revenue calculated above to MDC's and DNR's organizations as calculated within the Oversight assumption for purpose of this fiscal note.

Officials from **Department of Public Safety-Missouri Highway Patrol** assume the proposal would not have fiscal impact to their respective organizations.

<u>FISCAL IMPACT -</u> <u>State Government</u>	FY 2021  (10 Mo.)	FY 2022	FY 2023	Fully Implemented  (FY 2025)
<b>GENERAL REVENUE</b>				
<u>Loss - §143.441 Air Freight Forwarders defined as Corporations</u>	(Unknown)	(Unknown)	(Unknown)	(Unknown)
<u>Loss - Jet Fuel Tax Sales Exemption (144.805)</u>	\$0	\$0	\$0	(\$8,847,000)
<u>Loss - Jet Fuel Storage Exemption (144.807)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO GENERAL REVENUE FUND</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b>Could Exceed <u>(\$8,847,000)</u></b>
<b>CONSERVATION COMMISSION FUNDS (0609)</b>				
<u>Loss - Jet Fuel Sales Tax Exempt (144.805)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$161,131)</u>
<u>Loss - Jet Fuel Storage Exemption (144.807)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b>Could exceed <u>(\$161,131)</u></b>

<u>FISCAL IMPACT -</u> <u>State Government</u> (Continued)	FY 2021  (10 Mo.)	FY 2022	FY 2023	Fully Implemented  FY 2025
<b>PARK, SOIL, WATER FUND (0613 &amp; 0614)</b>				
<u>Loss - Jet Fuel Sales</u> Tax Exempt (144.805)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$128,905)</u>
<u>Loss - Jet Fuel</u> Storage Exemption (144.807)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON PARK, SOIL AND WATER FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>Could exceed</u></b> <b><u>(\$128,905)</u></b>
 <b>AVIATION TRUST FUND (0952)</b>				
<u>Income -</u> Continuation of Direct Payments (144.805)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$4,979,858</u>
<b>ESTIMATED NET EFFECT ON AVIATION TRUST FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$4,979,858</u></b>



<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented FY 2025
<b>SCHOOL DISTRICT TRUST FUND (0688)</b>				
<u>Loss - Jet Fuel Sales Tax Exempt (144.805)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$1,289,047)</u>
<u>Loss - Jet Fuel Storage Exemption (144.807)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON DEPARTMENT HIGHER EDUCATION</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>Could exceed</u> <u>(\$1,289,047)</u></b>

<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2021  (10 Mo.)	FY 2022	FY 2023	Fully Implemented  (FY 2025)
<b>LOCAL POLITICAL SUBDIVISIONS</b>				
<u>Loss - Jet Fuel Sales Tax Exempt</u> (144.805)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$11,800,000)</u>
<u>Loss - Jet Fuel Storage Exemption</u> (144.807)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>Could exceed</u></b> <b><u>(\$11,800,000)</u></b>

FISCAL IMPACT - Small Business

Small businesses that buy aviation fuel would be impacted as a result of this proposal.

FISCAL DESCRIPTION

The bill extends, from December 31, 2023, to December 31, 2033, the expiration date of the provisions regarding the exemption for common carriers engaged in the interstate transportation of passengers and cargo on the sale of aviation jet fuel from any state and local sales and use tax if the common carrier has paid sales and use taxes applicable to the purchase, storage, or consumption of the fuel in an amount of \$1.5 million in the year.

The bill would also add freight forwarders to the definition of corporations in the Missouri Income Tax law. (Section 143.441)

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  
Department of Transportation  
Department of Natural Resources  
Department of Public Safety-Missouri State Highway Patrol  
Office of Administration Budget & Planning



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