

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2106H.02C
 Bill No.: HCS for HB 1141
 Subject: Taxation and Revenue - General; Taxation and Revenue - Sales and Use; Property,
 Real and Personal
 Type: Original
 Date: April 3, 2023

Bill Summary: This proposal provides a sales tax exemption for certain used tangible personal property.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue*	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue	(Unknown)	(Unknown)	(Unknown)

*Losses not expected to exceed \$250,000 in any of the next three fiscal years.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
School District Trust*	(Unknown)	(Unknown)	(Unknown)
Conservation*	(Unknown)	(Unknown)	(Unknown)
Parks and Soil*	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

*Losses not expected to exceed \$250,000 in any of the next three fiscal years.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
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 2024	FY 2025	FY 2026
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume this proposal attempts to exempt from sales and use tax items that are considered used tangible personal property. It defines “used tangible personal property” as an item that is sold a second time or another consecutive time at an auction.

Currently when an item is purchased, the customer owes sales or use tax on the item and each time it is resold, sales or use tax is owed. Whether an individual pays sales or use tax on the item depends on the business’ nexus with the state. This proposal will exempt from sales tax an item that is used and sold at a second auction. Therefore, when it was purchased, the item would have been subject to tax and the first time it is auctioned off it would be subject to tax and then if it is auctioned off a second time then it would be tax exempt.

The Department is unsure how auction houses would know if an item was previously auctioned off so they won’t have to collect the sales tax in their second auction. If they are able to track such information, then this could result in an unknown minimal loss to the state and local sales tax funds.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would exempt items sold at an auction for the second or more time from state and local sales and use tax. B&P notes that as written, the language would only exempt used property that has been sold at auctions multiple times. This proposal would not exempt the first sale at auction or other, non-auction, sales from state and local sales and use tax.

B&P is unsure how taxpayers would be able to verify that items have been sold at least one prior auction in order to determine whether that item is exempt from tax. Therefore, B&P estimates that this proposal could have an unknown, likely minimal, impact on state and local sales tax collections.

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 proposed sales tax exemption could reduce the amount of funds distributed to the Park, Soil, and Water Sales Tax Fund. Therefore, Oversight will reflect an unknown negative impact on DNR’s funds beginning in FY 2024.

The **Missouri Department of Conservation** anticipates 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 proposed sales tax exemption could reduce the amount of funds distributed to the Conservation Sales Tax fund. Therefore, Oversight will reflect an unknown negative impact on MDC's funds beginning in FY 2024.

Officials from the **Missouri Department of Transportation** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for MoDOT.

Officials from the **City of Springfield** anticipate a negative fiscal impact of an undetermined amount.

Officials from the **City of Kansas City** assume there is a negative fiscal impact of an indeterminate amount.

Oversight notes the above local political subdivisions stated this proposal would have a negative fiscal impact on their respective city of an indeterminate amount. Oversight notes the proposed sales tax exemption could result in a loss of sales tax revenues to local funds. Therefore, Oversight will reflect an unknown negative impact to all local political subdivisions beginning in FY 2024.

Officials from the **Kansas City Police Department**, and the **St Louis County Police Department** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

Oversight notes officials from B&P and DOR both assume the proposal will an unknown, likely minimal, impact on state and local sales tax collections. 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 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
<u>Revenue Reduction - §144.030 - Sales tax exemption on used goods</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue Reduction - §144.030 - Sales tax exemption on used goods</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PARKS AND SOILS STATE SALES TAX FUNDS			
<u>Revenue Reduction - §144.030 - Sales tax exemption on used goods</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue Reduction - §144.030 - Sales tax exemption on used goods</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Reduction</u> - §144.030 - Sales tax exemption on used goods	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	(Unknown)	(Unknown)	(Unknown)

FISCAL IMPACT – Small Business

Certain small auction businesses that sell used goods could be impacted by the proposal.

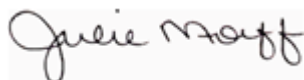
FISCAL DESCRIPTION

This proposal provides a sales tax exemption for certain used tangible personal property.

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 Administration - Budget and Planning
 Department of Revenue
 Department of Natural Resources
 Missouri Department of Conservation
 Missouri Department of Transportation
 City of Kansas City
 City of Springfield
 Kansas City Police Department
 St. Louis Police Department



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 April 3, 2023



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