COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0991S.05S
Bill No.: CCS for HCS for SB 226
Subject: Taxation and Revenue - Income; Taxation and Revenue - Property; Taxation and Revenue - Sales and Use; Aircraft and Airports
Type: Original
Date: May 12, 2021

Bill Summary: This proposal modifies provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	Could exceed ($8,721,414) to ($10,839,452)	Could exceed ($10,465,697) to ($13,007,343)	Greater than ($68,040)
Total Estimated Net Effect on General Revenue	**Could exceed ($8,721,414) to ($10,839,452)**	**Could exceed ($10,465,697) to ($13,007,343)**	**Greater than ($68,040)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
School District Trust Fund (0688)*	($2,907,138) to ($3,613,151)	($3,488,566) to ($4,335,781)	($22,680)
Park, Soil, and Water Trust Fund (0613 and 0614)* **	($1,890) or ($290,714) to ($361,315)	($2,268) or ($348,857) to ($433,578)	($2,268)
Conservation Trust Fund (0609)* **	($2,363) or ($363,393) to ($451,644)	($2,835) or ($436,071) to ($541,973)	($2,835)
Blind Pension Fund	$0	$0	(Less than $400)
Total Estimated Net Effect on Other State Funds	**($2,911,391) to ($4,426,110)**	**($3,493,669) to ($5,311,332)**	**Less than ($28,183)**

Numbers within parentheses: () indicate costs or losses.
*Oversight notes the estimates provided for §144.142 are based on 2019 (pre-COVID) sales. Therefore, the actual fiscal impact for §144.142 may vary substantially.
**Also, Oversight is unsure if "state sales or use tax" as described in §144.142.1 would include Conservation and DNR sales tax amounts. Therefore, Oversight has ranged the impact to those two funds as "$0 or.."

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
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 2022	FY 2023	FY 2024
Local Government*	**($75,222) or (Unknown, possibly substantial)**	**($90,266) or (Unknown, possibly substantial)**	**($90,266) or (Unknown, possibly substantial)**

*The “possibly substantial” impact is if cities and/or counties place restrictive orders and are required to provide property tax credits to their impacted citizens.

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). 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.

Section 137.115 Personal Property Tax on Aircraft

This will change the number of hours an historic airplane can fly from 50 to 250 for property tax assessment purposes. This will not fiscally impact the Department as property tax assessment is done by the county assessors and the State Tax Commission.

In response to the similar proposal, HCS for HB 66 -2021, officials from **Office of Administration - Budget and Planning** assume this proposal would decrease TSR by $0 to $500. This proposal will impact the calculation under Article X, Section 18(e).

This proposal makes multiple technical corrections to Section 137.115. This proposal also changes the allowed hours of flying for historical aircraft. This could increase the number of aircraft that are eligible for a reduced property tax rate. Based on information provided by the State Tax Commission, this could decrease revenues to the Blind Pension Trust Fund by $0 to $500. This could also decrease local revenues by $0 to $90,000.

Officials from the **State Tax Commission (STC)** estimate the fiscal impact to local jurisdictions (school districts, cities, counties etc.) to be a loss of zero to $90,000. The change regarding non-commercial aircraft, twenty five years old, from fifty (current law) to two hundred hours per year could have a fiscal impact on local taxing jurisdictions. The agency does not have exact data of how many of the 905 aircraft in Missouri are within this criteria and threshold, or the local taxing jurisdictions with tax situs for said aircraft.

Oversight will utilize the estimate ($90,000) provided by the State Tax Commission. Oversight has estimated the Blind Pension Fund impact to approximately $400 based on the calculation below.

Calculation:
(y/100) * 6.887 (average effective tax rate for personal property) = $90,000.
Estimated assessed value of qualifying aircraft: y = $1,306,810.
Estimated impact to the Blind Pension Fund: ($1,306,810/100) * .03 (Blind Pension tax rate) = $392 in lost revenue).

Oversight notes local property tax revenues are designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Alternatively, some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law), rather it would result in a loss of revenue.

Based on information provided by the Office of the State Auditor, **Oversight** notes, in 2020, there were over 2,500 tax entities with 4,000 different tax rates. Of those entities, 2,980 tax rate ceilings were below the entities' statutory or voter approved maximum tax rate and 1,098 tax rate ceilings were at the entities' statutory or voter approved maximum rate. (These numbers do not include entities which use a multi-rate method and calculate a separate tax rate for each subclass of property.)

Although the effective date of this proposal, if passed, would be FY 2022 (August 2021), the next re-assessment cycle would not occur until calendar year 2023 with impacted revenues occurring in FY 2024 (December 2023).

Officials from the **Department of Commerce and Insurance (DCI)** assume the proposal will have direct fiscal impact on their respective organization.

<u>Section 139.305 Real Property Tax Credit</u>

Officials from the **Department of Revenue (DOR)** assume that beginning with all tax years on or after January 1, 2021, a qualified taxpayer shall be allowed a tax credit equal to a percentage of the property tax owed for the days the property is closed by a local political subdivision. A qualified taxpayer is a business located in an area that is shut-down during the tax year by a political subdivision or government entity for more than 15 days.

This proposal requires that a city or county that prohibits or restricts the use of a taxpayer's real property will be required to give a credit on the real property tax owed for the length of the imposed prohibition or restriction. This would be a loss of revenue to the city or county that imposes such a restriction. This would not fiscally impact the Department of Revenue. Property tax is handled by the local political subdivisions and the State Tax Commission.

Officials from the **State Tax Commission (STC**) assume under this proposal, if any county or city issues an order or ordinance restricting the use of real property in a county or city, then the total tax bill for any real property in the county or city would be reduced of the total real property taxes owed only to the county or city, but the real property taxes owed to the individual taxing districts, such as school districts, would not be reduced. The taxpayer would receive a credit against property taxes owed. The credit is equal to the percentage of the calendar year that the restrictions on the use of the property were in place. The act states "real property" which consists of three subclasses, residential, commercial and agricultural. The potential negative fiscal impact on counties or cities that have adopted such restrictions is unknown, however a large urban/suburban county such as St Louis County, has a total of 391,033 parcels in the three subclasses (17,200 commercial parcels, 372,956 residential parcels and 877 agricultural parcels). Additionally the fiscal impact would be dependent on the duration, and the definition of the restriction.

As an example of a likely subclass (commercial) affected by restrictions, County A issues a six month county-wide order restricting the use of real property in County A. Commercial Property Y has a market value of $100,000 and an assessed value of $32,000 ($100,000 x .32 = $32,000). The tax rate in County A is 6.5%. Commercial Property Y has a total property tax liability of $2,080 ($32,000 x .065 = $2,080). Of that total, $200 is the portion for property tax liabilities owed only to County A. The amount of taxes owed only to County A due to the six-month county-wide order would be $100. Commercial Property Y has a reduced total property tax liability of $1,980. The amount of taxes owed for the same six-month period to the taxing districts, such as the school districts, would not be reduced, but the county's amount of tax revenue would be reduced by fifty percent.

In response to the similar proposal, SCS for SB 100, officials from the **City of St. Louis** Assessor's Office stated there is not enough information to even "guestimate" the fiscal impact of this proposed legislation, but the impact could be substantial, if not exorbitant for the City. That is because the City is under many citywide ordinances that restrict or prohibit uses and occupancy on properties.

In response to the similar proposal, SCS for SB 100, officials from the **City of Springfield** anticipated a negative fiscal impact from this bill. Approximately 42% of the City's assessed valuation comes from commercial property, but the City has no data to identify how much of the commercial property is used for retail activities. The City anticipates that the negative fiscal impact from a credit for six months of occupancy restrictions would be greater than $0 but less than $4,579,089 based on 2020 property taxes for a six month credit.

Oversight assumes there could be costs associated with implementing and tracking property tax credits for eligible properties. Oversight will show a range of impact $0 (the cost can be absorbed with existing resources) to an unknown cost to cities and counties to implement and track, as well as a potential ($0 or) unknown loss of property tax revenue to those local political subdivisions that would qualify.

Section 143.121 Marijuana Deduction

Officials from the **Department of Revenue (DOR)** assume this proposal would allow medical marijuana businesses a subtraction from the federal adjusted gross income in the amount that would have been allowed from the computation of the taxpayer's federal taxable income if the income were not disallowed solely from them being a medical marijuana business. Under federal law marijuana is a controlled substance and business selling it are not allowed some deductions that other businesses are entitled to. Since marijuana is allowed to be sold in

Missouri, this would allow them to adjust their federal adjusted gross income before calculating their Missouri adjusted gross income.

This would require the Department to make an independent interpretation of federal law on what would or would not be an allowable federal deduction. The Department is unable to calculate the amount of income and deductions that these businesses could possibly be allowed to deduct under this proposal. The Department assumes this could result in an Unknown loss that could be significant negative fiscal impact to general revenue and total state revenue.

This bill would become effective August 28, 2021, and with no specific start date it would allow people to start filing for this immediately. Therefore, we will show the impact starting in FY 2022.

Administrative Impact

This would require changes to the Forms MO-A and MO-1120. The Form MO-A has a selection of check boxes for a set of "other" subtractions, so a new line would not necessarily be required. The Form MO-1120 does not currently have this checkbox option, so it would either require a new line or a reformatting of the subtractions in Part 2. Programming changes would have to mirror the changes to the forms.

Oversight assumes DOR can absorb the programming cost(s) with existing resources. Should the cost(s) prove to be significant, DOR may seek additional equipment and expense funding through the appropriation process

In response to the similar proposal, SB 436 – 2021, officials from the **Office of Administration – Budget & Planning (B&P)** assumed this proposed legislation would allow medical marijuana related businesses to deduct business expenses from their Missouri Adjusted Gross Income. B&P notes that this proposed legislation would begin August 28, 2021 which is during Tax Year 2021. Therefore, B&P assumes that this deduction would become available for taxpayers for Tax Year 2021.

B&P notes that Tax Year 2021 returns would not be filed until April 2022. Therefore, B&P estimates that this proposed legislation could reduce GR beginning in Fiscal Year 2022. B&P notes that, typically, businesses are allowed to deduct certain expenses from their Federal Adjusted Gross Income. Those deductions would then flow through to the business's Missouri Adjusted Gross Income allowing for an implicit deduction from Missouri's income tax. However, because marijuana is a controlled substance at the federal level, marijuana-related businesses are not allowed to deduct their business expenses on their federal taxes. This proposal would allow such businesses to receive the business expense deduction at the state level. B&P was unable to obtain enough revenue, cost, or profit margin data for medical marijuana related businesses to estimate the GR impact from this proposed legislation. Therefore, B&P estimates that this proposal will reduce TSR and GR by an unknown, but significant, amount beginning with Fiscal Year 2022.

Oversight notes the officials from the DOR & B&P assume these changes will have a significant negative fiscal impact on general revenue and total state revenue. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a negative Unknown, potentially significant impact in the fiscal note.

Section 144.011 Grocery Store Food Sales Tax Exemption

DOR notes this provision excludes from the definition of retail sale those items purchased by a retailer that is intended for resale but cannot be resold because of theft or damage. This may have an impact on the Department but is expected to be minimal.

Oversight notes DOR assumes these changes will have a minimal negative fiscal impact. **Oversight** does not have any information to the contrary. Therefore, Oversight will not reflect a fiscal impact from this section.

Section 144.080 Sales Tax Filing Deadline

In response to the previous version of this proposal, officials of the **Department of Revenue (DOR)** assumed these provisions of the proposal would have no direct impact on general and total state revenues.

Officials from the **Office of Administration – Budget & Planning (B&P)** assume these provisions of the proposal will have a minimal cash flow and TSR impact in the first two fiscal years. This proposal will not impact TSR beyond these two fiscal years.

This proposal will not impact the calculation under Article X, Section 18(e).

This proposal would change the filing thresholds for sales tax. The following table shows the current DOR regulation versus this proposal.

Filing Frequency	Current Regulation	Proposal
Monthly	Collections ≥ $500 per month	Collections >$500 per month
Quarterly	Collections < $500 per month Collections ≥ $100 in a quarter	Collections < $500 per month Collections ≥ $200 in a quarter
Annual	Collections < $100 in a quarter	Collections < $200 in a quarter

This proposal would allow filers who collect between $100 and $200 in a calendar quarter to file on an annual basis rather than the quarterly basis that is currently required by DOR regulation.

B&P is unable to determine how many sales tax filers would be impacted by this proposal; however, B&P notes that quarterly sales tax collections are approximately 14% of total sales tax collections. However, B&P is unable to determine of that 14%, how many businesses have collections between $100 and $200 in a quarter.

Oversight notes B&P assumes this proposed legislation will have a minimal negative fiscal impact in Fiscal Year 2022 and a minimal positive fiscal impact in Fiscal Year 2023. Oversight notes the fiscal impacts are a result of the change in when the State will recognize the sales tax revenues from sales tax remittances from entities that have quarterly collections of $100 to $200.

Officials from **Department of Natural Resources (DNR)** assume Section 144.080 of the proposed legislation changes the aggregate amount levied and imposed upon a seller by section 144.020 in excess of five hundred dollars from two hundred fifty dollars on a monthly basis; adds a new section to state the aggregate amount levied and imposed upon a seller by section 144.020 is less than five hundred dollars per calendar month, but is at least two hundred dollars in a calendar quarter during the previous calendar year, shall file a return and pay such aggregate amount on a quarterly basis; and changes where the aggregate amount levied and imposed upon a seller by section 144.020 is less than two hundred dollars per calendar quarter during the previous calendar year, the seller shall file a return and pay such aggregate amount on an annual basis.

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.

Officials from the **Missouri Department of Conservation (MDC)** assume the proposal will have an Unknown fiscal impact but greater than $250,000. 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 timing of the sales and use tax collected could have an effect on the Conservation Sales Tax funds.

Oversight notes this proposed legislation does not change the aggregate amount of sales tax remitted to the State. Rather, this proposed legislation changes when businesses will remit the sales tax. While this could impact when the money is received (timing difference/cash flow), it will not impact total amount received. Also, as noted above, this change would not have a material impact on the timing of sales tax remittances. Therefore, for purposes of this fiscal note, Oversight will not show a material direct fiscal impact to the DNR and MDC as a result of this section.

<u>Section 144.142 Entertainment Venue - Tax Exemption:</u>

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this part of the proposal would allow business to retain 100% of the sales and use taxes collected from August 28, 2021 through June 30, 2023 for tickets and concessions at movie theaters and music venues, or venues operating as music venues. This proposal would only allow for the retention of state sales and use taxes, not local taxes.

B&P notes that this would apply to movie theaters, concert venues, and performing arts theaters. Table 1 shows the estimated qualifying industries by NAICS code.

Based on 2019 taxable sales (Table 1.), B&P estimates that this provision could exempt sales tax on $346,588,578 to $431,310,089 from the remittance of sales taxes. Therefore, B&P estimates that this provision could reduce TSR by $12,202,806 to $15,185,709 and GR by $8,664,714 to $10,782,752 in FY22. This proposal may reduce TSR by $14,643,368 to $18,222,852 and GR by $10,397,657 to $12,939,303 in FY23. This proposal will not impact TSR beyond FY23. Table 2 shows the estimated impact by fund.

Table 1: Qualifying Businesses

Industry	NAICS	2019 Taxable Sales - Low Estimate	2019 Taxable Sales - High Estimate
Movie Theater	512131	$222,876,355	$222,876,355
Theater Companies	711110	n/a	$68,391,030
Drive-in Theater	512132	$0	$0
Concert Venues	711310	$123,712,223	$123,712,223
DANCE COMPANIES*	711120	n/a	$0
MUSICAL GROUPS AND ARTISTS*	711130	n/a	$13,674,390
OTHER PERFORMING ARTS COMPANIES*	711190	n/a	$2,656,092
Total Taxable Sales		**$346,588,578**	**$431,310,089**

*Not all sales would become exempt. Only sales where the companies and artists also operated the concert/theater venue would qualify.

Table 2: Sales Tax Retention by Fiscal Year

Fund	2022		2023	
	Low Estimate	High Estimate	Low Estimate	High Estimate
GR	($8,664,714)	($10,782,752)	($10,397,657)	($12,939,303)
Education	($2,888,238)	($3,594,251)	($3,465,886)	($4,313,101)
Conservation	($361,030)	($449,281)	($433,236)	($539,138)
DNR	($288,824)	($359,425)	($346,589)	($431,310)
TSR	($12,202,806)	($15,185,709)	($14,643,368)	($18,222,852)

Officials from the **Department of Revenue (DOR)** assume:

Due to the complex nature of this proposal, the Department's legal counsel is still reviewing this proposal and will update this fiscal note if needed.

Beginning on August 28, 2021 (FY 2022) and ending June 30, 2023 (FY 2023), this proposal would allow certain taxpayers currently required to remit state and local sales tax to retain those state sales tax amounts. The local sales tax would still need to be remitted to the state for distribution to the local political subdivisions.

Specifically, this proposal allows for the retention of all sales or use tax otherwise owed by any retailer in this state that sells tickets for admission for the viewing of movies, films, and live concerts.

This provision would allow the retention of the state sales tax. The Current state Sales and Use tax rate is 4.225%

General Revenue is 3%
School District Trust Fund is 1% (Section 144.701)
Conservation Commission Fund is .125% (Article IV, Section 43(a))
Parks, Soil & Water Funds .1% (Article IV, Section 47(a))

The Department notes the constitutionally created Conservation Commission Fund and the Parks, Soil & Water Fund must be collected and distributed to them. Therefore the Department will show these organizations remitting to these funds.

In order to calculate the impact of this proposal, the Department looked at the NAICS codes that are associated with these types of businesses. These include movie theaters (512131), drive-in theaters (512132) and performing arts facilities (711310). This version of the proposal clearly designates live theater performances and live concerts as receiving this benefit. These were already included in the estimates calculated. In tax year 2019, these NAICS codes had taxable sales in Missouri of $415,087,944.04. Therefore, this would result in a loss to the state of the following amounts.

	FY 2022	FY 2023
General Revenue	($10,377,198)	($12,452,638)
School	($3,459,066)	($4,150,879)

The Department notes this exemption ends on June 30, 2023.

It should be noted that this tax is still required to be paid by the consumer and collected by the seller. However, the seller gets to retain it and the consumers do not benefit.

Oversight notes that DOR does anticipate administrative impact resulting in one time form and system updates to comply with the statute; however DOR did not provide an estimate.

Oversight assumes a minimal amount of administrative costs will be incurred by DOR; therefore, Oversight will reflect a zero additional cost for administrative expenses on the fiscal note.

Oversight notes the DOR and B&P both provided estimated impacts for certain taxpayers currently required to remit state sales and use taxes from venue and concession sales. This proposal allows for the taxpayer to retain the tax amounts, even though the seller is required to collect the amount of tax due.

Oversight notes that Section 144.142. 2 specifically denotes that "the provision of this section shall not be construed to affect the collection, remittance, or distribution of any local sales or use tax." Therefore, Oversight assume the monies would still follow the usual statutory and constitutional distribution to general revenue fund, natural resource funds, conservation fund, and school district fund; however, it will not impact local political subdivisions.

Oversight notes that it will reflect B&P's estimated range from low to high sales tax loss from venues that are now able to retain sales tax collected. The low estimate represents sellers who provide concession sales, but not ticket sales (due to the tickets being sold by third party sellers). As an example, Fox Theater would be able to keep all sales tax collected for sales of tickets sold by Fox Theater (the venue); however, Fox Theater would not retain the sales taxes for tickets sold by third party companies (i.e. Ticket Master, etc.). Conversely, the high range represents the assumption that venues would provide 100% of the concession and tickets sales at the place of the venue rather than third party vendors. Because B&P and DOR do not have granular sales tax information of all venue places in Missouri and its sales tax collection mechanisms; therefore, Oversight will use the ranged estimates provided by B&P for fiscal note purposes.

Oversight will note two possible results of this proposals on the fiscal note. One, where a business is able to retain MDC and DNR funds. Second, where a business is not able to retain monies which are usually distributed into the MDC and DNR funds (constitutionally mandated funds under Article IV), and the only funds the business is able to keep is those usually distributed to the GR and School District Trust Fund.

Officials from the **Department of Natural Resources (DNR)** assume:

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.

Allowing retention of sales tax by the seller of certain state sales taxes due on transactions relating to entertainment as defined in this proposal, could decrease the amount of funding available in the Parks and Soils Sales Tax Funds for long term operation of Missouri's state parks and historic sites and 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.

DNR assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Oversight notes the officials from DNR defer to the DOR for the potential fiscal impact of this proposal.

Officials from the **Missouri Department of Conservation (MDC)** assume the proposal will have an Unknown negative fiscal impact but greater than $250,000.

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.

Oversight has no way to test the estimates provided by B&P and DOR. Given the variance in the scope of this exemption, depending on venue ability in sales, Oversight will use their estimates.

Section 144.813 Durable Medical Equipment Sales Tax Exemption

Officials from the Department of Revenue (DOR) and Office of Administration – Budget & Planning (B&P) both assume this proposal would allow the sales of all class III medical devices identified under Section 513(a)(a)(C) of the Federal Food, Drug, and Cosmetic Act as codified in 21 U.S.C. 360(c)(1)(C) that use electric fields for the purposes of the treatment of cancer including components and repair parts and the disposable or single patient use supplies required for the use of such devices would be exempt from all state and local sales and use taxes.

Class III medical devices are those devices that have a high risk to the patient and/or user. These devices usually sustain or support life, are implanted, or present potential unreasonable risk of illness or injury. They represent 10% of medical devices regulated by the FDA. Given this proposal requires the Class III device must use electric fields for the purpose of treating cancer it appears this reduces the qualifying devices to two devices. These devices are used for treating glioblastoma and mesothelioma.

There are an estimated 240,000 patients annually with glioblastoma. Per the company website that makes this product they have treated 15,000 patients with glioblastoma with their product. Therefore only 6.3% of the eligible patients are using the product. The estimated cost per month per user is $21,000 or $252,000 annually.

Per the National Environmental Public Health Tracking Network there are 454 patients in MO with brain cancer and 56 with mesothelioma. The American Association of Neurological Surgeons estimates that 17% of all brain cancer is glioblastoma. Therefore in Missouri 77 patients with glioblastoma and 56 patients with mesothelioma could be eligible to use the qualified device. However, given that only 6.3% of all patients use the qualified device they will assume that only 5 glioblastoma and 4 mesothelioma patients would use it.

Therefore at a cost of $252,000 per patient per year they can assume that $2,268,000 ($252,000 * 9) in costs would be exempt from sales tax per this proposal. The sales tax rate is 4.225%. This would result in a loss to TSR of $95,823.

This proposal would become effective September 1, 2020, and therefore result in only 10 months of impact in FY 2022.

	FY 2022 (10 months)	FY 2023
General Revenue	($56,700)	($68,040)
School District	($18,900)	($22,680)
Conservation Commission	($2,363)	($2,835)
Park, Soil & Water	($1,890)	($2,268)
Locals	($75,222)	($90,266)

Administrative Impact

- Require 1 Associate Customer Service Representative per 3,500 refund requests received

Given the few number of potential qualifiers of this device, the Department assumes it can absorb the administrative impact of this proposal.

Oversight notes officials from the B&P and DOR both assume the proposal will have direct fiscal impact on their organizations. **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.

Officials from the **Missouri Department of Transportation** and **Department of Commerce and Insurance** both assume above bill provisions will not have a direct fiscal effect on their respective organizations.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties, schools and colleges were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
Revenue Reduction– §143.121 Marijuana Deduction p. 5-7	(Unknown – potentially significant)	(Unknown – potentially significant)	(Unknown – potentially significant)
Forgone Revenue – §144.142. – sales tax revenue collection from entertainment venues p. 8-12	($8,664,714) to ($10,782,752)	($10,397,657) to ($12,939,303)	$0
Revenue Reduction - 144.813 Medical Device exemption p. 12-13	($56,700)	($68,040)	($68,040)
NET EFFECT ON GENERAL REVENUE FUND	**Could exceed ($8,721,414) to ($10,839,452)**	**Could exceed ($10,465,697) to ($13,007,343)**	**Greater than ($68,040)**
BLIND PENSION FUND (0621)			
HA 2 to HA 8 -Revenue Reduction - qualifying aircraft assessed at a lower rate -§137.115.3 (4) p.3-4	$0	$0	(Unknown, Less than $400)
NET ESTIMATED EFFECT ON BLIND PENSION FUND	**$0**	**$0**	**(Unknown, Less than $400)**
FISCAL IMPACT – State Government	FY 2022	FY 2023	FY 2024

	(10 Mo.)		
SCHOOL DISTRICT TRUST FUND (0688)			
Forgone Revenue – 144.142. – sales tax revenue collection from entertainment venues p. 8-12	($2,888,238) to ($3,594,251)	($3,465,886) to ($4,313,101)	$0
Revenue Reduction - 144.813 Medical Device exemption p. 12-13	($18,900)	($22,680)	($22,680)
NET ESTIMATED EFFECT ON SCHOOL DISTRICT TRUST FUND	**($2,907,138) to ($3,613,151)**	**($3,488,566) to ($4,335,781)**	**($22,680)**
PARK, SOIL, WATER TRUST FUNDS (0613, 0614)			
Forgone Revenue – 144.140 2. – sales tax revenue collection from entertainment venues p. 7	$0 or ($288,824) to ($359,425)	$0 or ($346,589) to ($431,310)	$0
Revenue Reduction - 144.813 Medical Device exemption p. 12-13	($1,890)	($2,268)	($2,268)
NET ESTIMATED EFFECT ON PARK, SOIL, WATER TRUST FUND	**($1,890) or ($290,714) to ($361,315)**	**$0 or ($348,857) to ($433,578)**	**($2,268)**
FISCAL IMPACT – State Government	FY 2022	FY 2023	FY 2024

	(10 Mo.)		
CONSERVATION COMMISSION TRUST FUND (0609)			
Forgone Revenue – 144.142. – sales tax revenue collection from entertainment venues p. 8-12	$0 or ($361,030) to ($449,281)	$0 or ($433,236) to ($539,138)	$0
Revenue Reduction - 144.813 Medical Device exemption p. 12-13	($2,363)	($2,835)	($2,835)
NET ESTIMATED EFFECT ON CONSERVATION COMMISSION TRUST FUND	**$0 or ($363,393) to ($451,644)**	**$0 or ($436,071) to ($541,973)**	**($2,835)**

FISCAL IMPACT – Local Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISION			
Revenue Reduction - qualifying aircraft assessed at a lower rate - §137.115.3 p.3-4	$0	$0	(Unknown, Less than $90,000)
Cost - §139.305 Cities and Counties - to implement and track property tax credits p.4-5	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Revenue Reduction - §139.305 from property taxes credits in areas that impose property restrictions p.4-5	$0 or (Unknown, possibly substantial)	$0 or (Unknown, Could be substantial)	$0 or (Unknown, Could be substantial)
Revenue Reduction - 144.813 Medical Device exemption p. 12-13	($75,222)	($90,266)	($90,266)
NET ESTIMATED EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**($75,222) or (Unknown, Possibly substantial)**	**($90,266) or (Unknown, Possibly substantial)**	**($90,266) or (Unknown, Possibly substantial)**

FISCAL IMPACT – Small Business

Some small businesses would be expected to comply with the new remittance schedule as a result of this proposal. Also, theaters and entertainment venues will get to retain the state sales taxes.

FISCAL DESCRIPTION

Current law requires aircraft which are at least twenty-five years old, used solely for noncommercial purposes, and operated less than fifty hours per year to be assessed at five percent of true value. This act changes the operating hours requirement to two hundred hours. (Section 137.115)

Beginning January 1, 2021, this act allows a taxpayer that is a resident of a city or county that imposes one or more restrictive orders for a combined total in excess of fifteen days in a calendar year to receive a credit against property taxes owed on such affected property. A restrictive order shall be any city-wide or county-wide ordinance or order imposed by a city or county that prohibits or otherwise restricts the use of a taxpayer's real property, including, but not limited to, occupancy restrictions, but shall not include any ordinance or order prohibiting or restricting the use of a taxpayer's real property due to a violation of a public health or safety code.

The amount of the credit shall be a percentage of the property tax liability that is equal to the percentage of the calendar year that the restrictions on the use of the property were in place, provided that the first fifteen total combined days of all such orders shall not count toward such calculation of the credit. A taxpayer shall pay his or her property taxes in full prior to submitting a statement to the county collector requesting the credit authorized by the act. Within thirty days of the receipt of such statement, the city or county shall issue the credit to the taxpayer.

A taxpayer receiving a tax credit under the act that leases or rents all or a portion of his or her affected real property to one or more other taxpayers shall distribute the tax credit on a pro rata basis to the taxpayers who are current on all lease or rental payments owed to the taxpayer receiving the credit.

The credit authorized by this act shall only apply to real property tax liabilities owed to a city or county imposing a restrictive order, and shall not apply to property tax liabilities owed to any other taxing jurisdiction. (Section 139.305)

This provision contains an emergency clause.

INCOME TAXES

This act allows taxpayers authorized under the Missouri Constitution to operate a business related to medical marijuana to claim an income tax deduction in an amount equal to any expenditures otherwise allowable as a federal income tax deduction, but that are disallowed for federal purposes because cannabis is a controlled substance under federal law. (Section 143.121)

SALES TAX FILING PERIODS

Current law provides statutory sales tax collection thresholds to determine the frequency at which sellers shall file and remit sales taxes collected, with such periods being quarter-monthly, monthly, quarterly, and annually. Current law also allows the Department of Revenue to increase, but not decrease, such thresholds through rule. This act modifies the statutory thresholds for the monthly, quarterly, and annual filing periods.

For monthly filing, the threshold is changed from at least $250 in the first or second month of a calendar quarter to at least $500 per calendar month for the prior year.

For quarterly filing, the threshold is changed from at least $45 in a calendar quarter, but not subject to monthly filing to less than $500 per calendar month, but at least $200 in a calendar quarter.

For annual filing, the threshold is changed from less than $45 per calendar quarter to less than $200 per calendar quarter. (Section 144.080)

SALES TAX RETENTION

Beginning August 28, 2021, and ending June 30, 2023, this act authorizes sellers to deduct and retain one hundred percent of the state portion of sales tax levied on purchases of admission tickets to movies, films, and musical performances, as well as on sales of concessions sold onsite at such seller's place of business. (Section 144.142)

SALES TAX EXEMPTIONS

This act provides a sales tax exemption for sales of class III medical devices that use electric fields for the purposes of treatment of cancer, including components and repair parts and disposable or single patient use supplies required for the use of such supplies. (Section 144.813)

This act provides that the definition of "retail sale" or "sale at retail" for the purposes of the imposition of sales taxes shall not apply to the purchase by a retailer of products that are intended for resale but that cannot be resold because of theft or because the product is damaged and cannot be resold, or to the purchase by a grocery store of food that is intended for resale but that cannot be resold because of theft or because the food has become spoiled and would not be safe for consumption. (Section 144.011)

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 – B&P
Department of Revenue
Missouri Department of Transportation
Missouri Department of Conservation
Department of Commerce and Insurance
City of Claycomo
City of Corder
City of Springfield

Julie Morff
Director
May 12, 2021

Ross Strope
Assistant Director
May 12, 2021

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