

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2604-01
Bill No.: SB 794
Subject: Taxation and Revenue - Sales and Use; Public Health
Type: Original
Date: January 16, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$4,506,000)	(\$5,828,700)	(\$6,283,200)
Total Estimated Net Effect on General Revenue Fund	(\$4,506,000)	(\$5,828,700)	(\$6,283,200)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
School District Trust	(\$1,502,000)	(\$1,942,900)	(\$2,094,400)
Conservation	(\$187,750)	(\$242,863)	(\$261,800)
Parks and Soil	(\$150,200)	(\$194,290)	(\$209,440)
Total Estimated Net Effect on Other State Funds	(\$1,839,950)	(\$2,380,053)	(\$2,565,640)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	(\$2,253,000)	(\$2,914,350)	(\$3,141,600)

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation exempts some health club services from sales tax, and will not have a fiscal impact on DOR.

Officials of the **Office of Administration, Budget and Planning (BAP)** state this proposal provides a sales tax exemption for health club dues and fees. Using the U.S. Department of Commerce, Bureau of Economic Analysis, BAP estimates the Missouri consumer spending on the category of items specified in the bill to be \$180 million for FY05 and \$194 million for FY06. BAP assumes that Missouri accounts for 1.83% of the national totals, which is Missouri's share of U.S. Personal Income for the last 5 quarters. BAP assumes the increase in consumer spending for the year 2003 and beyond would be 7.8%. This is the average growth rate for the years 1999 and 2002. This proposal would have no impact on BAP.

Using the information provided by BAP and the U.S. Census Bureau, Statistical Abstract of the United States for 2002, **Oversight** estimates the state and local revenue loss to be \$8.6 million in FY05, \$11 million in FY06, and \$12 million in FY07.

This legislation would decrease Total State Revenue.

FISCAL IMPACT - State Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Loss to General Revenue</u>			
Health club services sales tax exemption	<u>(\$4,506,000)</u>	<u>(\$5,828,700)</u>	<u>(\$6,283,200)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$4,506,000)</u>	<u>(\$5,828,700)</u>	<u>(\$6,283,200)</u>
VARIOUS STATE FUNDS			
<u>Loss to State Funds:</u>			
School District Trust Fund	(\$1,502,000)	(\$1,942,900)	(\$2,094,400)
Conservation Sales Tax Fund	(\$187,750)	(\$242,863)	(\$261,800)
Parks and Soil Sales Tax Fund	<u>(\$150,200)</u>	<u>(\$194,290)</u>	<u>(\$209,440)</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>(\$1,839,950)</u>	<u>(\$2,380,053)</u>	<u>(\$2,565,640)</u>
FISCAL IMPACT - Local Government	FY 2005 (10 Mo.)	FY 2006	FY 2007
<u>Loss - Cities</u>			
Reduction in sales tax revenue from health clubs	(\$1,351,800)	(\$1,748,610)	(\$1,884,960)
<u>Loss - Counties</u>			
Reduction in sales tax revenue from health clubs	<u>(\$901,200)</u>	<u>(\$1,164,740)</u>	<u>(\$1,256,640)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	<u>(\$2,253,000)</u>	<u>(\$2,914,350)</u>	<u>(\$3,141,600)</u>

FISCAL IMPACT - Small Business

This proposal would eliminate sales tax on dues to health/fitness centers. While small businesses could benefit from the cost savings, this proposal would not appear to have a substantial impact on small businesses.

DESCRIPTION

This proposal exempts from state and local sales taxes certain fees and dues paid to health and fitness centers. Fees and dues paid to health and fitness centers are exempt if they are paid solely for health-benefit activities; are separately stated on the bill; and do not include dues or fees for any other activities or services. The proposal defines the term "health-benefit activities" and enumerates certain activities which either qualify or do not qualify as a "health-benefit activity".

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
Office of Administration
 Budget and Planning
U.S. Census Bureau
 Statistical Abstract of the United States (2002)



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January 16, 2004