

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3184-01  
Bill No.: SB 830  
Subject: Taxation and Revenue - Sales and Use Tax  
Type: Original  
Date: March 25, 2004

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	Unknown	\$2,538,556 to Unknown	\$5,077,112 to Unknown
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>UNKNOWN</b>	<b>\$2,538,556 to UNKNOWN</b>	<b>\$5,077,112 to UNKNOWN</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Various State Funds	Unknown	Unknown	Unknown
Transportation Dev. Sales Tax Trust Fund	Unknown	Unknown	Unknown
Aviation Trust Fund	\$0	(\$2,538,556)	(\$5,077,112)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>UNKNOWN</b>	<b>(\$2,538,556) to UNKNOWN</b>	<b>(\$2,526,965) to UNKNOWN</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Local Government</b>	<b>UNKNOWN</b>	<b>UNKNOWN</b>	<b>UNKNOWN</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Officials of the **Office of Administration, Budget and Planning (BAP)** assume this bill would bring Missouri sales and use tax laws into compliance with the streamlined sales and use tax agreement. BAP defers to the Department of Revenue to estimate any explicit fiscal impact. This proposal would not affect BAP.

Officials from the **Office of State Treasurer (STO)** assume this bill implements the provisions of the streamlined sales and use tax agreements.

This legislation creates the Transportation Development District Sales Tax Trust Fund (Section 238.235.5)

- in the treasury
- not state money
- Director of Revenue to keep records
- The Director of Revenue may authorize the Treasurer to make refunds.

This bill also allows the DOR to accept sales tax returns electronically, and to accept sales tax collections from out-of-state businesses.

No impact to STO.

GVB:LR:OD (12/02)

ASSUMPTION (continued)

Officials of the **Department of Transportation (MoDOT)** note that this proposal would move up the sunset on the transfer of jet fuel sales tax from 2008 to 2005. MoDOT's aviation section and its grant program for airport capital improvement and maintenance are funded by the State Aviation Trust Fund. The sales tax on jet fuel produce approximately ninety percent (90%) of Fund revenues. Department of Transportation officials assume that either the "shortfall" (estimated, based on FY 2004 collections, at \$15,231,336 over the three years) would be made up from the General Revenue Fund or the general aviation airports will not be maintained or upgraded to meet the air transportation needs of Missouri.

As for the state's transit program and the Missouri Elderly and Handicapped Transportation Assistance Program (MEHTAP) - MoDOT assumes that there exists a potential of stabilizing these programs depending on how additional collected taxes deposited to the state's General Revenue Fund are appropriated. However, this potential positive impact on the transit and MEHTAP programs is not incorporated in the fiscal impact calculation as reflected on the Summary of Fiscal Impact page of this response.

Officials of the **Department of Revenue (DOR)** state this legislation would implement the provisions of the streamlined sales and use tax agreement. Officials assume it would impact the Division of Taxation as follows:

- 1.) Section 67.671.8, would change the collection of Ozark Lake-area tourism taxes to require the Department of Revenue to collect the tax and would eliminate the "County Advertising and Tourism Sales Tax Fund".
- 2.) Eliminate certain exemptions that were found within the definition of "Sale at Retail" under the current 144.010.1(10), which would be the new 144.010.1(16).
- 3.) Add a new term, "sales price", to the definitions in the new 144.010.1(15).
- 4.) Change the definition of "food" under Section 144.014.
- 5.) Eliminate the \$2,000 threshold for filing a consumer's use tax return, causing all taxpayers to become liable to pay consumer's use tax if a sales or use tax was not paid at the time of purchase, under Section 144.655.5.

DOR assumes this legislation requires that retail sales that are delivered be taxed at the rate in effect for the delivery location, rather than the store's location. There will be an increase in general revenues by expanding the tax base.

ASSUMPTION (continued)

**Oversight** assumes this legislation does not create a new tax. It just makes compliance easier by shifting the burden of sales/use tax collection to companies. **Oversight** further assumes passing this proposal would not assure any potential increase in taxes collected until all states comply with the simplified sales/use tax agreement and federal legislation requires collection. **Oversight** will show the revenue impact for the changes in the sales/use tax laws relating to the simplified sales tax agreement as a positive unknown.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<b>GENERAL REVENUE FUND</b>			
<u>Income</u> - General Revenue			
Change in sales/use tax laws	Unknown	Unknown	Unknown
Electronic filed sales/use taxes	Unknown	Unknown	Unknown
Sunset on transfer of Aviation Fuel Tax	\$0	\$2,538,556	\$5,077,112
Transp. Dev. District Sales Tax	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
Total Income	Unknown	\$2,538,556 to Unknown	\$5,077,112 to Unknown
<u>Transfer Out</u> - Transp. Dev. District Fund			
Less 1% collection fee	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUNDS</b>	<b><u>UNKNOWN</u></b>	<b><u>\$2,538,556 to UNKNOWN</u></b>	<b><u>\$5,077,112 to UNKNOWN</u></b>
<b>VARIOUS STATE FUNDS</b>			
<u>Income</u> - Various State Funds			
Change in sales/use tax laws	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS</b>	<b><u>UNKNOWN</u></b>	<b><u>UNKNOWN</u></b>	<b><u>UNKNOWN</u></b>

**TRANSPORTATION  
 DEVELOPMENT DISTRICT SALES  
 TAX TRUST FUND**

<u>Transfer In</u> - from General Revenue			
Trans. Dev. Dist. sales tax	Unknown	Unknown	Unknown

<u>Transfer Out</u> - to Local Districts			
Less 2% for possible refunds/overpymts.	(Unknown)	(Unknown)	(Unknown)

**ESTIMATED NET EFFECT ON  
 TRANSPORTATION  
 DEVELOPMENT DISTRICT SALES  
 TAX TRUST FUND**

<b><u>UNKNOWN</u></b>	<b><u>UNKNOWN</u></b>	<b><u>UNKNOWN</u></b>
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**AVIATION TRUST FUND**

<u>Loss</u> - Aviation Fuel Tax Transfer	\$0	(\$2,538,556)	(\$5,077,112)
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**ESTIMATED NET EFFECT TO  
 AVIATION TRUST FUND**

<b><u>\$0</u></b>	<b><u>(\$2,538,556)</u></b>	<b><u>(\$5,077,112)</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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<u>Income</u> - Cities/Counties			
Change in Sales/Use tax laws	Unknown	Unknown	Unknown

<u>Transfer In</u> - Trans. Dev. Districts			
Trans. Dev. Dist. sales tax	Unknown	Unknown	Unknown

<u>Loss</u> - Trans. Dev. Districts			
Locally collected Trans. Dev. sales tax	(Unknown)	(Unknown)	(Unknown)

**ESTIMATED NET EFFECT ON  
 LOCAL FUNDS**

<b><u>UNKNOWN</u></b>	<b><u>UNKNOWN</u></b>	<b><u>UNKNOWN</u></b>
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**FISCAL IMPACT - Small Business**

Small businesses that collect sales/use tax could be affected by this proposal.

## DESCRIPTION

This proposal would bring Missouri sales and use tax laws into compliance with the streamlined sales and use tax agreement.

Compliance involves modifying many sections throughout the law, based upon meeting the following criteria:

- (1) The sourcing of sales must be changed to be based on receipt. This means that current law is modified, where necessary, to consider the point of sale, and thus the applicable tax rate, to be the point of receipt of the product;
- (2) When a city annexes property, the change to the tax rate will take place on the first day of the second calendar quarter after the Director of Revenue receives notice of the boundary change;
- (3) The same provisions as in (2) shall apply to rate changes;
- (4) All sales taxes must be administered at the state level if they are not already;
- (5) All state and local sales taxes must have the same base. This means that exemptions at the state and local level must be identical;
- (6) Certain definitions, including a definitions for "delivery charges", "food" "lease or rental", "purchase price", "sales price", "tangible personal property" and other modified definitions, must be adopted from the streamlined sales and use tax agreement;
- (7) The Department of Revenue can require electronic filing and payment of the sales and use tax;
- (8) Registration for out of state sellers is simplified and no bond is required;
- (9) No caps or thresholds may exist on the collection of sales or use taxes; and
- (10) Out of state sellers must be offered uniform, simplified, electronic filing.
- (11) Moves up the sunset on the transfer of jet fuel sales tax from 2008 to 2005.

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 Transportation  
State Treasurer

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
March 25, 2004