

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5416S.01I
 Bill No.: SB 872
 Subject: Taxation and Revenue - Sales and Use
 Type: Original
 Date: January 19, 2026

Bill Summary: This proposal authorizes a sales tax exemption for supplies needed to care for infants.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue**	Could exceed (\$1,272,233)*	Could exceed (\$1,696,311)	Could exceed (\$1,696,311)
Total Estimated Net Effect on General Revenue	Could exceed (\$1,272,233)*	Could exceed (\$1,696,311)	Could exceed (\$1,696,311)

*Oversight notes FY 2027 is less because FY 2027 is a partial year (9 months).

**The estimates noted in the tables are based on the low end of the range provided by DOR. Revenue losses could substantially exceed these amounts.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
School District Trust Fund (1688)**	Could exceed (\$424,078)*	Could exceed (\$565,437)	Could exceed (\$565,437)
Conservation Commission Fund (1609)**	Could exceed (\$53,010)*	Could exceed (\$70,680)	Could exceed (\$70,680)
Parks and Soils State Sales Tax Fund(s) (1613 & 1614)**	Could exceed (\$42,408)*	Could exceed (\$56,544)	Could exceed (\$56,544)
Total Estimated Net Effect on <u>Other</u> State Funds	Could exceed (\$519,496)*	Could exceed (\$692,661)	Could exceed (\$692,661)

*Oversight notes FY 2027 is less because FY 2027 is a partial year (9 months).

**The estimates noted in the tables are based on the low end of the range provided by DOR. Revenue losses could substantially exceed these amounts.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
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 2027	FY 2028	FY 2029
Local Government**	Could exceed (\$1,993,166)*	Could exceed (\$2,657,554)	Could exceed (\$2,657,554)

*Oversight notes FY 2027 is less because FY 2027 is a partial year (9 months).

**The estimates noted in the tables are based on the low end of the range provided by DOR. Revenue losses could substantially exceed these amounts.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration-Budget & Planning (B&P)** did not respond to **Oversight’s** request for fiscal impact for this proposal.

§144.030 – Sales Tax Exemption for Infant Care Supplies

Officials from the **Department of Revenue (DOR)** note in Section 144.020 items that are sold are subject to state and local sales and use tax. The state sales tax is 4.225%. That sales tax is broken down as:

General Revenue	3%
School District	1%
Conservation Commission	.125
Parks, Soil & Water Funds	.1%

Section 144.030 exempts certain items from sales and use tax. This proposal adds that all sales of baby bottles, baby wipes, and breast pump supplies would be exempt from sales and use tax. This proposal further defines a breast pump, breast pump collection and storage supplies, as well as breast pump kits. All these items would be exempt.

Baby Wipes

DOR notes that this proposal would exempt “baby wipes” from sales tax. However, this proposal does not define baby wipes and therefore it is unclear if the intent is to include all personal care wipes, including adult toilet wipes. Information found indicates that baby wipes are a significant portion of the personal wipe sales. They make up to 50%-53% of all usage while 25%-30% of “baby wipes” are purchased by adults for adult use.

During 2024, based on market research \$2.5 billion in personal care wipes were sold in the United States. DOR was unable to separate traditional baby wipes from other personal care wipes and therefore for fiscal note purposes only, will assume this sales tax exemption extends to all personal care wipes.

Based on data by the Bureau of Economic Analysis, Missouri makes up about 1.7% of all personal consumption. Therefore, DOR can assume that \$42,694,856 in taxable sales would become exempt under this proposal.

Baby Bottles

This proposal also says that baby bottles would be eligible for the exemption. DOR notes that bottle nipples are not listed in this exemption so DOR assumes sales tax would still be owed on them.

Based on market research, DOR found that parents spend on average \$60 to \$150 on baby bottles during the child's first year. They also spend on average between \$8 and \$48 during a child's second year. Information from the U.S. Census Bureau indicates there are 67,996 kids under the age of 1 in Missouri annually and 69,034 between the ages of 1 and 2. Therefore, this proposal could exempt between \$4,632,032 to \$13,513,032 annually in taxable sales.

Breast Pumps

DOR states the DHSS publishes reports on the number of births each year in Missouri. During 2024 (the most recent year available) they indicate there were 67,863. Research by the CDC indicates that 80.7% of all mothers breastfeed their child for at least three months. Therefore, DOR can assume 54,765 kids are breastfed.

For fiscal note purposes only, DOR will assume that all breastfeeding mothers purchase a breast pump. Most insurance companies cover the cost of a standard breast pump. However, 40% to 55% of parents elect to pay extra over what insurance covers to get an upgraded breast pump. Market research indicates those parents could pay an additional \$70 to \$200. Using the number of kids born, DOR can assume between 21,906 and 30,121 parents pay the \$70 to \$200 average out-of-pocket costs for the upgraded breast pumps.

This provision in the proposal could result in exempt taxable sales of \$1,533,420 to \$6,024,200 annually.

Breast Pump Replacement Parts

Research by the CDC indicates that 80.7% of all mothers breastfeed their child at least three months. Additionally, they indicate that 54.6% of mothers are still breastfeeding by 6 months. This would mean that only 37,053 mothers would still be breastfeeding at the 4th month. The FDA recommends replacing the breast pump's valves, membranes and tubing every 3 to 6 months. Therefore, for fiscal note purposes, DOR will assume that a breastfeeding mother entering month 4 of breastfeeding will replace these supplies.

Research shows the cost per year of the replacement parts is \$30 to \$60. Therefore, this proposal would exempt taxable sales from the 37,053 mothers buying replacements parts of \$1,111,590 to \$2,223,180 annually.

Breast Milk Storage Bags

DOR assumes that all mothers who purchased a breast pump will need to purchase breast milk storage bags. The bags cost an average of \$120 to \$300 per year. This proposal would result in \$6,571,800 to \$16,429,500 in exempt taxable sales a year.

Bill as a whole

This proposal would result in the following taxable sales being exempt from taxation.

Product	Low	High
Baby Wipes	\$42,694,856	\$42,694,856
Baby Bottles	\$4,632,032	\$13,513,032
Breast Pumps	\$1,533,420	\$6,024,200
Breast Pump Replacement Parts	\$1,111,590	\$2,223,180
Breast Pump Storage Bags	\$6,571,800	\$16,429,500
Total Sales	\$56,543,698	\$80,884,768

This sales tax exemption would become effective on August 28, 2026, and it should be noted that sales tax is distributed one month behind the collection. Therefore, DOR will show the loss of 9 months in the first fiscal year (FY 2027).

In an effort to more accurately reflect the estimated local impact, B&P and DOR have moved from a population weighted average local sales tax rate to a location weighted average local sales tax rate. This change was made to reflect where sales actually occur, rather than exclusively where people live. For fiscal note purposes, the local sales tax rate will be 4.7%.

DOR estimates that loss to state and local sales tax funds.

Estimated Revenue Impact by Fund

<u>State Fund</u>	FY 2027 Low	FY 2027 High	FY 2028+ Low	FY 2028+ High
General Revenue	(\$1,272,233)	(\$1,819,907)	(\$1,696,311)	(\$2,426,543)
School District	(\$424,078)	(\$606,636)	(\$565,437)	(\$808,848)
Conservation	(\$53,010)	(\$75,830)	(\$70,680)	(\$101,106)
Park Soil & Water	(\$42,408)	(\$60,664)	(\$56,544)	(\$80,885)
Total State Revenues	(\$1,791,729)	(\$2,563,037)	(\$2,388,972)	(\$3,417,382)

Estimated Revenue Impact by Fund cont.

<u>Local Funds</u>	FY 2027 Low	FY 2027 High	FY 2028+ Low	FY 2028+ High
Local Sales Tax	(\$1,993,166)	(\$2,851,188)	(\$2,657,554)	(\$3,801,584)

DOR will need to update the department's form (\$2,200), website and computer programming (\$1,887).

Oversight notes the DOR requests a one-time cost for website, form changes and computer updates to comply with the proposed language; however, Oversight notes that DOR receives appropriation for routine website updates and will not show those costs in the fiscal note.

Officials from the **Missouri Department of Conservation** assume 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 proposal may decrease the amount of sales tax revenue distributed to this fund. Therefore, Oversight will show DOR's estimates for MDC's funds.

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 proposal may decrease the amount of sales tax revenue distributed to this fund. Therefore, Oversight will show DOR's estimates for DNR's funds.

Officials from the **City of Kansas City** assume the proposed legislation has a negative fiscal impact of an indeterminate amount.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (9 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Revenue Loss</u> – (§144.030) Sales tax exemption for baby supplies p.5	Could exceed <u>(\$1,272,233)</u>	Could exceed <u>(\$1,696,311)</u>	Could exceed <u>(\$1,696,311)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	Could exceed <u>(\$1,272,233)</u>	Could exceed <u>(\$1,696,311)</u>	Could exceed <u>(\$1,696,311)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue Loss</u> – (§144.030) Sales tax exemption for baby supplies p.5	Could exceed <u>(\$424,078)</u>	Could exceed <u>(\$565,437)</u>	Could exceed <u>(\$565,437)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	Could exceed <u>(\$424,078)</u>	Could exceed <u>(\$565,437)</u>	Could exceed <u>(\$565,437)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue Loss</u> – (§144.030) Sales tax exemption for baby supplies p.5	Could exceed <u>(\$53,010)</u>	Could exceed <u>(\$70,680)</u>	Could exceed <u>(\$70,680)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	Could exceed <u>(\$53,010)</u>	Could exceed <u>(\$70,680)</u>	Could exceed <u>(\$70,680)</u>
PARKS AND SOILS STATE SALES TAX FUNDS			
<u>Revenue Loss</u> – (§144.030) Sales tax exemption for baby supplies p.5	Could exceed <u>(\$42,408)</u>	Could exceed <u>(\$56,544)</u>	Could exceed <u>(\$56,544)</u>
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS	Could exceed <u>(\$42,408)</u>	Could exceed <u>(\$56,544)</u>	Could exceed <u>(\$56,544)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (9 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss – (\$144.030) Sales tax exemption for baby supplies p.5</u>	Could exceed <u>(\$1,993,166)</u>	Could exceed <u>(\$2,657,554)</u>	Could exceed <u>(\$2,657,554)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	Could exceed <u>(\$1,993,166)</u>	Could exceed <u>(\$2,657,554)</u>	Could exceed <u>(\$2,657,554)</u>

FISCAL IMPACT – Small Business

Certain small businesses that sell baby supplies could be impacted by this proposal.

FISCAL DESCRIPTION

This act authorizes a sales tax exemption for baby bottles, baby wipes, and breast pump supplies, as such term is defined in the act.

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
 Department of Natural Resources
 Missouri Department of Conservation
 Office of the Secretary of State
 Joint Committee on Administrative Rules
 City of Kansas City



Julie Morff
 Director
 January 19, 2026



Jessica Harris
 Assistant Director
 January 19, 2026