

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6578S.03P
 Bill No.: Perfected SS for SCS for SB 1534
 Subject: Taxation and Revenue - Sales and Use
 Type: Original
 Date: March 30, 2026

Bill Summary: This proposal modifies provisions relating to the exclusion of certain transactions from sales tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	\$640,803,379	\$854,460,685	\$854,460,685
Total Estimated Net Effect on General Revenue	\$640,803,379*	\$854,460,685	\$854,460,685

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
School District Trust Fund (1688)	(\$816,027,733)	(\$1,088,036,977)	(\$1,088,036,977)
Conservation Commission Fund (1609)	(\$18,836,706)	(\$25,115,609)	(\$25,115,609)
Parks and Soils State Sales Tax Fund(s) (1613 & 1614)	(\$15,069,366)	(\$20,092,487)	(\$20,092,487)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$849,933,805)*	(\$1,133,245,073)	(\$1,133,245,073)

*Oversight notes the fiscal impact for FY 2027 is less because FY 2027 is a partial year (9 months). For fiscal note purposes, Oversight is showing the loss to the SDTF but notes these funds are ultimately distributed to school districts. Oversight assumes any reduction in SDTF receipts reduces the funding available for school districts.

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**	(\$38,365,424) *	(\$51,153,898)	(\$51,153,898)

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

**For fiscal note purposes, Oversight is showing the loss to the SDTF but notes these funds are ultimately distributed to school districts. Oversight assumes any reduction in SDTF receipts reduces the funding available for school districts. Additionally, Oversight is uncertain if this proposal would trigger an increase in property tax collections by school districts. For simplicity, Oversight has not included this impact in the fiscal note.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education** did not respond to **Oversight's** request for fiscal impact for this proposal.

Senate Amendment 2 (SA 2) - §144.010 – Sales Tax for Certain Processing Fees

Officials from the **Department of Revenue (DOR)** note the Department of Revenue (DOR) is following a Supreme Court ruling from November of 1994 citations: 887 S.W.2d 593, which ruled credit card fees were “not charges incident to the extension of credit” and were not excludable from gross receipts and the fact that business chose to pay the credit card fees out of the proceeds of the sales did not decrease the amount of the retail establishment’s gross receipts from those sales.

Under current law, sales tax is owed on the item at the time of sale. The retail establishment selling the item is to collect that sales tax.

If a retail establishment accepts credit or debit cards chooses to pass the card transaction fee on to the customer at the point of sale, that fee becomes part of the total transaction’s gross receipts and are subject to sales tax.

Conversely, if the retail establishment absorbs the credit or debit card transaction fee as a business expense rather than passing it on to the customer, the fee is not subject to sales tax. In this case, the business may deduct the expense on its income tax return.

Consumer purchasing behavior has shifted significantly toward electronic payments. Credit and debit cards have largely replaced cash transactions, and online purchases continue to grow. This trend has increased the prevalence of credit/debit card transaction fees. Additionally, the recent elimination of the penny has further accelerated the use of card-based payments.

Credit/debit card transaction fees in 2025 typically range from 1.5% to 4% of the total sale amount plus a set rate per transaction, per Bankrate. Businesses incur these fees for the privilege of accepting card payments. Per Bankrate, American Express generally charges between 1.43% + \$0.10 to 3.30% + \$0.10 per transaction, while Visa and Mastercard tend to charge between 1.15% + \$0.05 and 2.5% + \$0.10 per transaction. This means when a business sells \$10,000 in credit card transactions per week, they could pay around \$115 to \$250 in Visa and Mastercard fees while paying around \$143 to \$330 in Amex fees.

This proposal is modifying the definition of “gross receipts” to exclude credit/debit card transaction fees when credit/debit cards are used by consumers at point of sale. SA 2 would restrict this exclusion to no more than 3% of the purchase price or the merchant discount.

DOR pulled information from the National Retail Federation that stated that in 2024 credit/debit card companies collected \$187.2 billion in these transaction fees. Using information obtained from the U.S. Bureau of Economic Analysis, Missouri residents spending is about 1.9% of all spending in the U.S. Therefore \$3,556,800,000 of the total transaction fees are collected on sells occurring in MO based on these figures.

Based on data published by Nielson Research in 2024, \$187.2 billion in credit / debit card charges were collected by credit companies. Based on additional data published by J.D. Power (2025 Merchant survey), 34% of retailers directly pass on the credit / debit charge to consumers.

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%

Therefore, DOR calculates the loss of sales tax on the \$3,556,800,000 transaction fees to be \$150,274,800 then applied the 34% of retailers know to directly pass on the credit/debit charges to customers. 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 average sales tax rate will be 4.7%. This proposal would result in the loss to the following state and local sales tax funds:

This bill would become effective August 28, 2026, and sales tax is remitted one month behind collection. Therefore, this would result in a loss to state revenue of 9 months of remittances in FY 2027. Therefore, the loss to state and local funds if all businesses are currently putting the charges in their gross receipts would be:

DOR Table 1: Estimated State Revenue Impact

<u>State Funds</u>	<u>FY27</u>	<u>FY28+</u>
General Revenue	(\$24,488,568)	(\$32,651,424)
Education (SDTF)	(\$8,162,856)	(\$10,883,808)
Conservation	(\$1,020,357)	(\$1,360,476)
DNR	(\$816,286)	(\$1,088,381)
Total State Impact	(\$34,488,067)	(\$45,984,089)

DOR Table 2: Estimated Local Revenue Impact

<u>Local Funds</u>	<u>FY27</u>	<u>FY28+</u>
Local Sales Tax	(\$38,365,424)	(\$51,153,898)

This proposal would require updates to DOR forms (\$2,200), the department’s website and computer programs (\$7,547). These costs are estimated at \$9,747.

Officials from the **Office of Administration - Budget and Planning (B&P)** noted this proposal would exempt credit and debit card fees from sales tax if those fees are passed on to the consumer. This exemption would begin August 28, 2026.

B&P noted that credit card (and some debit card) companies charge a flat per swipe fee or a variable rate fee to merchants whenever their card is used. Retailers typically face three options regarding those fees. They can: absorb the cost and right off the expense on their income taxes, raise prices by enough to offset fee costs, or charge customers the credit card fee.

If businesses absorb the costs, no extra sales tax is levied. If businesses raise the general price of items, sales tax is collected on that inflated price. If businesses pass the fee directly on to consumers, the Missouri Supreme Court has ruled (*Central Hardware Company and Budget Rent-a-Car v. Director of Revenue*, 1994, 887 S.W.2d 593) that such charges should be included in the total purchase price of items. Therefore, sales tax should be collected on the fee, even if stated separately on the sales receipt.

This proposal would exempt the latter option (direct charge) from state and local sales taxes, by excluding the credit / debit charge from the final sales price by excluding them from the definition of “gross receipts”. Table 1 lists when sales tax is charged under current law and proposed changes.

B&P Table 1: When Sales Tax Is Charged

Credit Charge	Sales Tax - Current	Sales Tax - Proposed	Income Tax Expense
Fees absorbed	No	No	Yes
Prices increased	Yes	Yes	No
Direct charge	Yes	No	No

Based on data published by Nielson Research in 2024, \$187.2 billion in credit / debit card charges were collected by credit companies. Based on additional data published by J.D. Power (2025 Merchant survey), 34% of retailers directly pass on the credit / debit charge to consumers.

Based on data published by the BEA, personal consumption in Missouri is 1.71% of total national consumption. Therefore, B&P estimates that of the \$187.2 billion in charges, \$3.2 billion was charged to Missouri consumers. Assuming the percentage of retailers that passes on those fees directly is the same in Missouri as the national 34%, B&P estimates that of the \$3.2 billion in fees on Missouri consumers, approximately \$1.1 billion was charged separately.

Therefore, B&P estimated that this proposal could exempt \$1.1 billion from state and local sales tax. Table 2 shows the estimated revenue impact to state and local funds.

B&P Table 2: Estimated Revenue Impact

<u>State Funds</u>	<u>FY27</u>	<u>FY28+</u>
General Revenue	(\$24,488,568)	(\$32,651,424)
Education (SDTF)	(\$8,162,856)	(\$10,883,808)
Conservation	(\$1,020,357)	(\$1,360,476)
DNR	(\$816,286)	(\$1,088,381)
Total State Impact	(\$34,488,067)	(\$45,984,089)

B&P Table 2 Continued: Estimated Revenue Impact

<u>Local Funds</u>	<u>FY27</u>	<u>FY28+</u>
Local Sales Tax	(\$38,365,424)	(\$51,153,898)

However, it is unclear how many retailers are currently collecting sales taxes on the credit card fees directly passed on to consumers. B&P assumes that much of this estimated “loss” will actually be forgone revenues.

Therefore, B&P estimated that this proposal could reduce GR up to \$32,651,424 once fully implemented. This proposal could also reduce local sales tax collections by up to \$51,153,898 once fully implemented.

Officials from the **Missouri Department of Conservation** assume the proposed legislation has 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 & B&P’s estimates for MDC’s funds.

Officials from the **Department of Natural Resources** deferred 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 & B&P’s estimates for MDC’s funds.

Oversight notes officials from B&P and DOR both assume the proposal will have a direct fiscal impact on state and local revenues. 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.

In response to a previous version, officials from the **Office of the Secretary of State** assumed 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.

Senate Amendment 1 (SA 1) - §144.014 Sales Tax on Food

Officials from the **Department of Revenue (DOR)** note the following:

State Tax

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%

In 1997, Section 144.014 was adopted, and it exempted the collection of the 3% general revenue portion of the state sales tax on food products identified by the SNAP program, while leaving the remaining 1.225% state sales tax in place. Additionally, food items not identified under the SNAP program (like food in restaurants) retained the 4.225% general state sales tax rate.

Section 144.014.1 of this proposal is modified to exempt SNAP identified food from the remaining 1.225% state sales tax rate starting August 28, 2026. This proposal leaves the 4.225% rate on foods not identified under the SNAP program.

The Department notes that in FY 2025, food reported \$19,004,106,006 in taxable sales. Therefore, the School District Trust Fund received \$190,041,060, the Conservation Commission Fund received \$23,755,133 and the Park, Soil & Water Funds received \$19,004,106 in state sales tax.

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). Therefore, the elimination of the state sales tax on food effective August 28, 2026 (FY 2027) would result in the following loss.

Estimated Food Tax Loss by Fund

State Fund	FY 2027	FY 2028
Education	(\$142,530,795)	(\$190,041,060)
Conservation	(\$17,816,349)	(\$23,755,133)
DNR	(\$14,253,080)	(\$19,004,106)
Total State Loss	(\$174,600,224)	(\$232,800,299)

This proposal does not impact the collection of the local sales tax on food.

In order to implement this reduction in the state tax the Department will need to modify the department's sales tax forms (\$2,200), update its website and 4 computer sales tax programs (\$7,547 each) for an estimated cost of \$32,388. Additionally, notice to the department's vendors would occur using various means.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would exempt food from state sales tax beginning August 28, 2026. B&P notes that currently the state tax rate on non-prepared food is 1.225%; with 1% going to the School District Trust Fund, 0.125% going to Conservation, and 0.1% going to the Parks, Soil and Water Funds.

Language Issue

B&P notes that the intent of the language appears to only exempt food from state sales tax; however, the proposed language would still exempt food from the provisions under Chapter 144. Local sales taxes (sections 32.085) are only applied to items that are taxable under Chapter 144. Therefore, it is unclear whether the additional language directing DOR to continue collecting local tax would be effective.

Therefore, B&P will show the potential impacts from this proposal as \$0 or \$xxx for local sales tax collections.

Estimated Impact

In FY25, state sales tax collections on food was \$232,800,299. B&P estimates that approximately \$190,041,060 of those collections were distributed to the School District Trust Fund, \$23,755,133 to Conservation, and \$19,004,106 to the Parks, Soil and Water Funds.

Based on information from DOR, during FY25 \$840,285,857 in local sales tax money was collected from the retail sale of food. The following table shows the amounts collected by district type.

Table 1: Local Food Sales Tax Collections, FY25

District	Sales Tax
City	\$432,654,227
City - TIF	\$10,641,000
County	\$318,344,302
CID	\$26,643,990
TDD	\$19,037,216
Ambulance	\$16,524,201
Fire Protection	\$7,177,614
Emergency Services	\$4,585,615
Other Districts	\$4,677,691

B&P notes that "other districts" include hospital districts, port improvement districts, library districts, jail districts, recreational districts, and zoological districts.

B&P also notes that sales tax distributions are one month behind collections.

B&P further notes that DOR is granted a 1% collection fee on sales taxes distributed to local jurisdictions, except CIDs, TDDs, and Port Improvement districts. Therefore, this proposal could reduce general revenue by \$0 (local tax remains) or by \$7,945,918 (local tax eliminated) annually.

B&P estimates that this provision may reduce TSR by \$232,800,299 (only state taxes exempted) or by \$240,746,217 (all state and local taxes exempted) annually. This proposal could also reduce local sales tax collections by \$0 (local tax remains) or by \$840,285,857 (local tax eliminated) annually. Table 2 shows the estimated impact by state and local fund.

Table 2: Estimated Grocery Tax Loss by Fund

State Fund	FY 2027	FY 2028+
GR (1% fee)	\$0 or (\$5,959,407)	\$0 or (\$7,945,918)
Education	(\$142,530,795)	(\$190,041,060)
Conservation	(\$17,816,349)	(\$23,755,133)
DNR	(\$14,253,080)	(\$19,004,106)
Total State Loss	(\$174,600,224) or (\$180,559,631)	(\$232,800,299) or (\$240,746,217)

<u>Local Funds</u>	FY 2027	FY 2028+
City	\$0 or (\$324,490,671)	\$0 or (\$432,654,227)
City - TIF	\$0 or (\$7,980,750)	\$0 or (\$10,641,000)
County	\$0 or (\$238,758,227)	\$0 or (\$318,344,302)
CID	\$0 or (\$19,982,993)	\$0 or (\$26,643,990)
TDD	\$0 or (\$14,277,912)	\$0 or (\$19,037,216)
Ambulance	\$0 or (\$12,393,151)	\$0 or (\$16,524,201)
Fire	\$0 or (\$5,383,210)	\$0 or (\$7,177,614)
Emergency	\$0 or (\$3,439,211)	\$0 or (\$4,585,615)
Other	\$0 or (\$3,508,269)	\$0 or (\$4,677,691)
Total Local Loss	\$0 or (\$630,214,392)	\$0 or (\$840,285,857)

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the Department of Revenue.

§144.020 - Sales & Use Tax Distribution

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%. For all items purchased except motor vehicles, the current sales tax is distributed between the following funds:

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

For all motor vehicles the sales tax is distributed between the following funds:

State Road Bond Fund 1.5%

Highway Use Funds 1.5%

Highway Use 1.5% is constitutionally divided as follow:

- 10% counties- Local money goes into the FLOYD FUND
- 15% cities – Local money goes into the FLOYD FUND
- 2% State Transportation Fund
- 73% State Road Fund

Conservation Commission .125%
 Parks, Soil & Water Funds .1%
 School District Trust Fund 0.5%
 Highway Use Funds (as listed above) 0.5%

This proposal will change the distribution of the 4% state sales tax. The 4% state sales tax is the 3% general revenue and 1% that goes to the School District Trust Fund for all items other than motor vehicles. Under this proposal, general revenue will now receive 3.8% and the School District Trust Fund will receive 0.2%. Additionally, the rate on marine/ATV vehicles will have the same distribution. The impact is shown below:

Taxable Item	FY 2025 Current Collections	Proposed Collections	School District Loss / GR Gain
General*	\$1,047,113,323	\$209,422,665	(\$837,690,658)
Marine / ATV	\$3,725,544	\$745,109	(\$2,980,435)
Total	\$1,050,838,867	\$210,167,774	(\$840,671,093)

*Excludes food

DOR notes these changes do not impact the food sales tax as it has a separate distribution under 144.014.

This proposal will also change the distribution of the 0.5% School District Trust Fund sales tax collected on motor vehicles. It will now be distributed as 0.2% to the School District Trust Fund and 0.3% to general revenue. The impact is shown below:

Taxable Item	FY 2025	Proposed	SDTF Loss / GR Gain
Motor Vehicle	\$77,401,693	\$30,960,677	(\$46,441,016)

This proposal will not change the amount of total state revenue collected but will change which fund receives the revenue. DOR will need to update its sales tax distribution system to adjust these distributions. That is expected to cost approximately \$12,000 for the business tax division and motor vehicle division computer changes.

Officials from the **Office of Administration - Budget and Planning (B&P)** note Section 144.020 sets the state general sales tax rate at 4.0%. This proposal would direct 0.2% of the tax to the School District Trust Fund. The remaining tax is to be deposited into GR.

B&P notes that under Section 144.701, the School District Trust Fund (SDTF) currently receives 1% of the state sales tax. The SDTF receives 0.5% sales tax on motor vehicles as Article IV, Section 39(b) directs 75% of the state's sales tax to state and local motor related funds.

This proposal would supersede existing statute, lowering the amount of tax received by the SDTF from 1% to 0.2% on general sales and from 0.5% to 0.2% on motor vehicle sales. Under this language, GR would now receive 3.8% (3% current + 0.8% diverted) on general sales and 0.3% (0% current + 0.3% diverted) on motor vehicle sales.

Table 3: Education Sales Tax Rate

Taxable Item	Current Rate	New Rate
General	1.0%	0.2%
Marine / ATV	1.0%	0.2%
Motor Vehicles*	0.5%	0.2%

*Per Article IV, Section 30(b) MV funds receive 75% of revenues from sales tax on motor vehicles.

General Sales – In FY25, the SDTF received \$1,047,113,323 (excluding food) in general sales tax and \$3,725,544 on sales tax for marine and ATVs. Under this proposal, the SDTF would now receive \$209,422,665 on general sales and \$745,109 on sales of marine vehicles and ATVs.

Motor Vehicles – in FY25, the SDTF received \$77,401,693 in sales tax on motor vehicles. Under this proposal the SDTF would now receive \$46,441,016.

Taxable Item	FY 2025	Proposed	SDTF Loss / GR Gain
General*	\$1,047,113,323	\$209,422,665	(\$837,690,658)
Marine / ATV	\$3,725,544	\$745,109	(\$2,980,435)
Motor Vehicle	\$77,401,693	\$30,960,677	(\$46,441,016)
Total	\$1,128,240,560	\$241,128,451	(\$887,112,109)

*Excludes food

Therefore, B&P estimates that this provision will increase GR by \$887,112,109 while decreasing revenues to the SDTF by \$887,112,109 per year

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the Department of Revenue.

Oversight notes, per Department of Elementary and Secondary Education FY 2027 Appropriations Book, Section 144.701, RSMo, provides for a one cent general sales tax to be placed into the School District Trust Fund. Proposition C was passed by the voters in November 1982.

This issue contained several provisions relating to school finance, but the most widely noted provision was the \$.01 state-wide general sales tax increase for education with a corresponding property tax reduction for school districts corresponding to one-half of the revenue produced by the new sales tax. These "Proposition C" sales tax revenues will be distributed to the 554 school districts, special district, charter school local education agencies, and the Division of Youth Services operated schools. Proposition C sales tax revenue is collected locally, transmitted to the state and then passed on to school districts based on a per pupil amount. Section 163.087, RSMo, provides for the distribution of these funds to school districts on an equal amount per weighted average daily attendance. These funds are credited to the Incidental and Teachers funds for each school district and supply needed revenue for salaries and operating expenses.

For fiscal note purposes, Oversight is showing the loss to the SDTF but notes these funds are ultimately distributed to school districts. Oversight assumes any reduction in SDTF receipts reduces the funding available for school districts.

Oversight is uncertain if this proposal would trigger an increase in property tax collections by school districts. For simplicity, Oversight has not included this impact in the fiscal note.

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 additional 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.

Senate Amendment 3 (SA 3) - \$144.010 - Notice of Gross Receipts Charges

Officials from the **Department of Revenue (DOR)** note this provision will not have a fiscal impact on DOR, but will impact vendors, by requiring them to post a notice.

Oversight notes this provision requires any business that charges a processing fee that is excluded from gross receipts shall provide notice to a purchaser of such charges.

Oversight does not anticipate an additional impact from this provision.

Responses regarding the proposed legislation as a whole

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

Officials from the **Eastern Clay Ambulance District** assume a fiscal impact but did not provide any additional information.

Officials from the **Office of the State Treasurer** and the **Joint Committee on Administrative Rules** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

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

<u>FISCAL IMPACT – State Government</u>	FY 2027 (9 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Revenue Loss – DOR (§144.010)</u> Certain processing fees excluded from definition of “gross receipts” p.4	(\$24,488,568)	(\$32,651,424)	(\$32,651,424)
<u>Revenue Gain – DOR (§144.020)</u> Sales tax distribution change – regular products p.11	\$630,503,320	\$840,671,093	\$840,671,093
<u>Revenue Gain – DOR (§144.020)</u> Sales tax distribution change – motor vehicles p.11	\$34,830,762	\$46,441,016	\$46,441,016
<u>Cost – DOR (§§144.010 & 144.014)</u> Form & computer updates p. 5, 8, & 11	(\$42,135)	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$640,803,379</u>	<u>\$854,460,685</u>	<u>\$854,460,685</u>
SCHOOL DISTRICT TRUST FUND (1688)			
<u>Revenue Loss – DOR (§144.010)</u> Certain processing fees excluded from definition of “gross receipts” p.4	(\$8,162,856)	(\$10,883,808)	(\$10,883,808)

<u>FISCAL IMPACT – State Government</u>	FY 2027 (9 Mo.)	FY 2028	FY 2029
<u>Revenue Loss – DOR (§144.014)</u> Food sales tax exemption p.8	(\$142,530,795)	(\$190,041,060)	(\$190,041,060)
<u>Revenue Loss – DOR (§144.020)</u> Sales tax distribution change – regular products p.11	(\$630,503,320)	(\$840,671,093)	(\$840,671,093)
<u>Revenue Loss – DOR (§144.020)</u> Sales tax distribution change – motor vehicles p.11	(\$34,830,762)	(\$46,441,016)	(\$46,441,016)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND (1688)	<u>(\$816,027,733)</u>	<u>(\$1,088,036,977)</u>	<u>(\$1,088,036,977)</u>
CONSERVATION COMMISSION FUND (1609)			
<u>Revenue Loss – DOR (§144.010)</u> Certain processing fees excluded from definition of “gross receipts” p.4	(\$1,020,357)	(\$1,360,476)	(\$1,360,476)
<u>Revenue Loss – DOR (§144.014)</u> Food sales tax exemption p.8	(\$17,816,349)	(\$23,755,133)	(\$23,755,133)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND (1609)	<u>(\$18,836,706)</u>	<u>(\$25,115,609)</u>	<u>(\$25,115,609)</u>
PARKS AND SOILS STATE SALES TAX FUNDS (1613 & 1614)			
<u>Revenue Loss – DOR (§144.010)</u> Certain processing fees excluded from definition of “gross receipts” p.4	(\$816,286)	(\$1,088,381)	(\$1,088,381)
<u>Revenue Loss – DOR (§144.014)</u> Food sales tax exemption p.8	(\$14,253,080)	(\$19,004,106)	(\$19,004,106)

<u>FISCAL IMPACT – State Government</u>	FY 2027 (9 Mo.)	FY 2028	FY 2029
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS (1613 & 1614)	(\$15,069,366)	(\$20,092,487)	(\$20,092,487)

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (9 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
Revenue Loss – DOR (§144.010) Certain processing fees excluded from definition of “gross receipts” p.4	(\$38,365,424)	(\$51,153,898)	(\$51,153,898)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	(\$38,365,424)	(\$51,153,898)	(\$51,153,898)

FISCAL IMPACT – Small Business

Certain small businesses that include debit/credit card processing fees in their prices could be impacted by this proposal.

FISCAL DESCRIPTION

This act modifies provisions relating to the exclusion of certain transactions from sales tax.

CREDIT CARD PROCESSING FEES

This act excludes credit card and debit card processing fees from the definition of "gross receipts" for the purpose of imposing sales taxes. Such processing fees shall not exceed three percent of the purchase price or the merchant discount fee, whichever is less. Any business that charges a processing fee that is excluded from gross receipts shall provide notice to a purchaser of such charges, as described in the act. (Section 144.010)

FOOD SALES TAX EXEMPTION

Current law taxes retail sales of food, as defined in current law, at a rate of one percent. This act provides that retail sales of food shall be exempt from state sales taxes. (Section 144.014)

The act also provides that, of the 4% state sales tax rate, the revenue derived from a rate of 0.2% shall be deposited in the School District Trust Fund. (Section 144.020)

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
Department of Natural Resources
Missouri Department of Conservation
Office of the Secretary of State
Joint Committee on Administrative Rules
City of Kansas City
Eastern Clay Ambulance District
Office of the Secretary of State
Joint Committee on Administrative Rules
Office of the State Treasurer



Julie Morff
Director
March 30, 2026



Jessica Harris
Assistant Director
March 30, 2026