

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2344-01  
Bill No.: SB 5  
Subject: Taxation and Revenue - Sales and Use  
Type: Original  
Date: September 10, 2003

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
General Revenue	\$46,407,525	\$285,759,800	\$146,559,800
<b>Total Estimated Net Effect on General Revenue Fund*</b>	<b>\$46,407,525</b>	<b>\$285,759,800</b>	<b>\$146,559,800</b>

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Highway Funds	\$3,200,000	\$18,200,000	\$9,400,000
<b>Total Estimated Net Effect on <u>All</u> State Funds*</b>	<b>\$3,200,000</b>	<b>\$18,200,000</b>	<b>\$9,400,000</b>

**\* This proposal is permissive. Voter approval would be required before fiscal impact would be realized.**

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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#### **FISCAL ANALYSIS**

##### **ASSUMPTION**

**Department of Revenue (DOR)** officials state this legislation will provide an increase in revenues over the course of three years, with intent to slowly phase it out during that time. However, this language states that in the third year the rate will be reduced from 4 1/4% to 4 1/8% but does not specify that at the beginning of the fourth year, the tax rate will be returned to the original rate of 4%.

This legislation also states that it will become effective on the first month after the special election. The language needs to be changed to make it effective the first day of the first calendar quarter after the special election.

Business Tax will be responsible for notifying the 150,000 sales tax businesses every time the tax rate is changed (over the 3 year duration).

**Oversight** reduced the amount requested by DOR for postage to \$40,200 annually to reflect the cost at the current bulk rate.

ASSUMPTION (continued)

Officials from the **Office of Administration, Budget and Planning (BAP)** assume this proposal would increase the sales tax by:

- 1/2 cent for one year after implementation
- 1/4 cent for the subsequent year
- 1/8 cent for the subsequent year

Assumptions:

1. The sales tax base is based upon the FY 2004 Budget and Planning/Senate staff consensus forecast.
2. Regular sales tax will increase 2.5% in FY 2005 and FY 2006.
3. Motor vehicle sales tax will increase 3.0% in FY 2005 and FY 2006.
4. If approved by voters, the tax increase becomes effective April 1, 2004 and there will be a one-month lag associated with collection changes.

These assumptions yield the following revenue impact:

(millions of dollars)	FY 2004	FY 2005	FY 2006
Regular Sales Tax	\$47.3	\$267.6	\$137.2
MV Sales Tax – General Revenue	\$3.2	\$18.2	\$9.4
MV Sales Tax – Highways	\$3.2	\$18.2	\$9.4

In response to a similar proposal, officials from the **Secretary of State (SOS)** assume statewide newspaper publication of constitutional amendments cost approximately \$1,161 per column inch based on estimate provided by the Missouri Press Service x 3 for multiple printings as required by the Constitution and state statute = \$3,485 per column inch. SOS estimates the total number of inches for this amendment to be 15 inches, which includes title header and certification paragraph. \$3,485 x 15 inches = \$52,275.

In response to a similar proposal, officials from the **Office of Administration** assumed the election costs for a special election would be approximately \$4 million.

Since this legislation is subject to voter referendum, **Oversight** assumes this proposal would have no state fiscal impact without voter approval. **Oversight** assumes the proposal would be on the ballot for the first Tuesday in November 2003.

ASSUMPTION (continued)

**This proposal would result in an increase in Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2004 (3 Mo.)	FY 2005	FY 2006
<b>GENERAL REVENUE FUND</b>			
<u>Income - General Revenue</u>			
Increase in sales tax	\$47,300,000	\$267,600,000	\$137,200,000
Increase in MV sales tax	<u>\$3,200,000</u>	<u>\$18,200,000</u>	<u>\$9,400,000</u>
Total Income - GR	\$50,500,000	\$285,800,000	\$146,600,000
<u>Cost - Dept. of Revenue</u>			
Postage	(\$40,200)	(\$40,200)	(\$40,200)
<u>Cost - Secretary of State</u>			
Publication costs	(\$52,275)	\$0	\$0
<u>Cost - Office of Administration</u>			
Special election costs	<u>(\$4,000,000)</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*</b>	<b><u>\$46,407,525</u></b>	<b><u>\$285,759,800</u></b>	<b><u>\$146,559,800</u></b>

\* This proposal is permissive. Voter approval would be required before fiscal impact would be realized.

**HIGHWAY FUNDS**

<u>Income - Highway Funds</u>			
Increase in MV sales tax	<u>\$3,200,000</u>	<u>\$18,200,000</u>	<u>\$9,400,000</u>
<b>TOTAL ESTIMATED NET EFFECT ON HIGHWAY FUNDS*</b>	<b><u>\$3,200,000</u></b>	<b><u>\$18,200,000</u></b>	<b><u>\$9,400,000</u></b>

\* This proposal is permissive. Voter approval would be required before fiscal impact would be realized.

FISCAL IMPACT - Local Government

FY 2004  
(3 Mo.)

FY 2005

FY 2006

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Small businesses would be expected to collect/pay the increased sales tax as a result of this proposal.

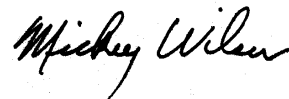
DESCRIPTION

This proposal increases the sales tax by 1/2% for one year, then lowers the increase to 1/4% for one year, then lowers the increase to 1/8% for one year, and finally returns the sales tax rate to the current levy.

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  
Secretary of State



Mickey Wilson, CPA  
Director  
September 10, 2003