

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0503-01  
Bill No.: HB 117  
Subject: Taxation and Revenue - Sales and Use  
Type: Original  
Date: January 30, 2015

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Bill Summary: This proposal would modify sales tax provisions relating to admission charges and fees to places of amusement and entertainment.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
General Revenue	(\$21,750,000)	(\$26,100,000)	(\$26,100,000)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$21,750,000)</b>	<b>(\$26,100,000)</b>	<b>(\$26,100,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
School District Trust	(\$7,250,000)	(\$8,700,000)	(\$8,700,000)
Conservation Commission	(\$906,000)	(\$1,088,000)	(\$1,088,000)
Parks, and Soil and Water	(\$725,000)	(\$870,000)	(\$870,000)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$8,881,000)</b>	<b>(\$10,658,000)</b>	<b>(\$10,658,000)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 10 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</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 FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government</b>	<b>(\$28,100,000)</b>	<b>(\$33,800,000)</b>	<b>(\$33,800,000)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 144.010, 144.018, and 144.020, RSMo. - Sales Tax on Admissions:

Changes to the provisions in this legislation would specify which places of amusement, entertainment, recreation, games, and athletic events must collect sales tax. The proposal would require sales tax to be charged and remitted for admission charges to "sporting events, dance performances, theater performances, orchestra, concerts, and other performing arts productions, and amounts paid for admission to racetracks, arcades, theme and amusement parks, water parks, circuses, carnivals, festivals, air shows, museums, marinas, motion picture theaters, and other commercial attractions." Other charges or fees to or in places of amusement, entertainment and recreation, games and athletic events would not be taxable, and charges for a right of first refusal to purchase tickets would be specifically exempted from sales tax.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would change the current sales tax on recreation to a sales tax on admission charges. BAP officials noted that the Department of Revenue (DOR) reports for 2013 indicated taxable sales from various recreation industries as shown below.

Industry	Taxable Sales
Dance Halls, Studios, and Schools	\$5,092,269
Producers, Orchestras, Entertainers	\$47,808,322
Bowling and Billiard Establishments	\$67,830,585
Commercial Sports	\$351,652,596
Riverboats - No Gambling	\$139,729,032
Miscellaneous Amusement and Recreation	\$668,766,536
Camps and Trailer Parks	\$72,960,398
Motion Picture Theaters	\$236,470,425
Museums, Art Galleries, Botanical Gardens	<u>\$7,956,621</u>
Total	<u>\$1,598,266,785</u>

BAP officials estimated these sales generated \$67.5 million in state sales taxes, and assume that, on average, 44% of these sales would be admission charges that would remain taxable under this proposal, or \$728.6 million. This would generate \$30.8 million in state sales taxes, a reduction of \$36.7 million annually.

ASSUMPTION (continued)

**Oversight** notes the BAP estimate assumes a reduction in the taxable sales base for recreational businesses from \$1,598,300,000 to \$728,600,000 (\$1,598,300,000 - \$728,600,000) = \$869,700,000. Oversight assumes the BAP calculations provide the best available estimate and has calculated impact of an estimated \$870 million reduction in taxable sales, as shown in the table below, and will include that estimated impact in this fiscal note.

Fund or entity	Sales Tax Rate	Revenue Reduction for ten months FY 2016	Revenue reduction for full year
General Revenue	3.000%	\$21,750,000	\$26,100,000
School District Trust	1.000%	\$7,250,000	\$8,700,000
Conservation Commission	0.125%	\$906,000	\$1,088,000
Parks, and Soil and Water	0.100%	\$725,000	\$870,000
Local Governments *	3.880%	\$28,100,000	\$33,800,000
* The local government sales tax rate is an average calculated by Oversight based on reported collections by the Department of Revenue.			

**Oversight** notes the School District Trust Fund sales tax revenues are distributed, along with other revenues in the fund, to local school districts but will not include those transfers in this fiscal note. In addition, the reduction in local government sales tax revenues from this proposal would result in a reduction in the one percent collection charges withheld by the Department of Revenue and deposited in the General Revenue Fund, and Oversight will not include that impact in this fiscal note.

Officials from the **Department of Revenue (DOR)** noted this proposal would change the existing tax on recreation to a tax on admissions. Additionally, these provisions would exempt from sales tax the amount paid for the first opportunity to purchase or decline tickets for admission to events.

ASSUMPTION (continued)

DOR officials estimated these exemptions could reduce Total State Revenue as much as \$37 million and deferred to the Office of Administration - Division of Budget and Planning for additional information on this exemption.

DOR officials assume the Department would have to change regulations and practices to implement the changes in the proposed legislation, and DOR officials expect increased litigation until the new language is judicially construed.

Administrative Impact

DOR officials assume Collections and Tax Assistance (CATA) would have additional customer contacts but would handle these contacts with current staff. DOR officials also assume some current registered businesses would no longer be required to collect and remit sales tax. Finally, Sales Tax staff may have some overtime to adjust procedures and documents posted on the DOR website.

**Oversight** assumes DOR could absorb the cost to implement this proposal with existing resources.

Officials from the **City of Kansas City** assume this proposal would result in a reduction in sales tax revenue for their organization as follows.

FY 2016	\$266,667
FY 2017 and FY 2018	\$400,000

Officials from the **City of O'Fallon** assume this proposal would lead to a revenue reduction for their organization but were not able to provide an estimate of the amount.

Officials from the **Department of Conservation (MDC)** assume this proposal would have an unknown negative fiscal impact to their organization, but greater than \$100,000. MDC officials stated Conservation Sales Tax funds are derived from a one-eighth of one percent sales and use tax pursuant to the Missouri Constitution. Modifying sales tax provisions on admission charges to places of amusement and recreation would reduce revenue to the Conservation Sales Tax funds.

ASSUMPTION (continued)

MDC officials deferred to the Department of Revenue for an estimate of the anticipated fiscal impact for this proposal.

Officials from the **Department of Natural Resources (DNR)** noted this proposal would create a new sales and use tax exemption, and stated the Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to the Missouri Constitution. Therefore, any additional sales and use tax exemption would reduce the funding available in the Parks and Soils Sales Tax Funds.

DNR officials deferred to the Department of Revenue and Office of Administration - Division of Budget and Planning for a more detailed account of the fiscal impact of this proposal.

Officials from the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules**, **St. Louis County**, the **City of Jefferson City**, the **Platte County Board of Elections**, and the **St. Louis County Directors of Elections** assume this proposal would have no fiscal impact on their organizations.

Not responding:

Officials from the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, Pacific, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.

Officials from the following counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, Shelby, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information.

ASSUMPTION (continued)

Officials from the following schools: Blue Springs Public Schools, Branson Public Schools, Caruthersville School District, Cole R-I Schools, Columbia Public Schools, Everton R-III School District, Fair Grove Schools, Fulton Public School, Harrisonville School District, Independence Public Schools, Jefferson City Public Schools, Kansas City Public Schools, Kirksville Public Schools, Kirbyville R-VI Schools, Lee Summit Public Schools, Macon School, Malta Bend Schools, Mexico Public Schools, Monroe City R-I Schools, Nixa Public Schools, Parkway Public Schools, Pattonville Schools, Raymore-Peculiar R-III Schools, Raytown School District, Riverview Gardens School District, Sedalia School District, Sikeston Public Schools, Silex Public Schools, Special School District of St. Louis County, Spickard School District, Springfield School District, St Joseph School District, St Louis Public Schools, St. Charles Public Schools, Sullivan Public Schools, Warren County R-III School District and Waynesville Public School did not respond to our request for information.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction: Sales tax exemption</u>	<u>(\$21,750,000)</u>	<u>(\$26,100,000)</u>	<u>(\$26,100,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$21,750,000)</u></b>	<b><u>(\$26,100,000)</u></b>	<b><u>(\$26,100,000)</u></b>
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Revenue reduction: Sales tax exemption</u>	<u>(\$7,250,000)</u>	<u>(\$8,700,000)</u>	<u>(\$8,700,000)</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b><u>(\$7,250,000)</u></b>	<b><u>(\$8,700,000)</u></b>	<b><u>(\$8,700,000)</u></b>

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>CONSERVATION COMMISSION FUND</b>			
<u>Revenue reduction: Sales tax exemption</u>	<u>(\$906,000)</u>	<u>(\$1,088,000)</u>	<u>(\$1,088,000)</u>
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b><u>(\$906,000)</u></b>	<b><u>(\$1,088,000)</u></b>	<b><u>(\$1,088,000)</u></b>
<b>PARKS, AND SOIL AND WATER FUND</b>			
<u>Revenue reduction: Sales tax exemption</u>	<u>(\$725,000)</u>	<u>(\$870,000)</u>	<u>(\$870,000)</u>
<b>ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND</b>	<b><u>(\$725,000)</u></b>	<b><u>(\$870,000)</u></b>	<b><u>(\$870,000)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>LOCAL GOVERNMENTS</b>			
<u>Revenue reduction: Sales tax exemption</u>	<u>(\$28,100,000)</u>	<u>(\$33,800,000)</u>	<u>(\$33,800,000)</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>(\$28,100,000)</u></b>	<b><u>(\$33,800,000)</u></b>	<b><u>(\$33,800,000)</u></b>



FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which operate places of amusement, entertainment, and recreation.

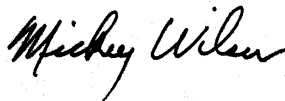
FISCAL DESCRIPTION

This proposal would modify sales tax provisions relating to admission charges and fees to places of amusement, entertainment, and recreation.

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 the Secretary of State  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Conservation  
Department of Natural Resources  
Department of Revenue  
St. Louis County  
City of Jefferson City  
City of Kansas City  
City of O'Fallon  
Platte County Board of Elections  
St. Louis County Directors of Elections



Mickey Wilson, CPA  
Director

Ross Strobe  
Assistant Director

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