

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0778-01
Bill No.: HB 220
Subject: Taxation and Revenue - Sales and Use; Prisons and Jails
Type: Original
Date: March 4, 2015

Bill Summary: This proposal would create a sales tax exemption for sales made at a county jail canteen or commissary.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Conservation Commission	(Unknown)	(Unknown)	(Unknown)
Parks, and Soil and Water	(Unknown)	(Unknown)	(Unknown)
School District Trust	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on Other State Funds	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would impact Total State Revenue and the calculation required under Article X, Section 18(e) of the state constitution.

BAP officials noted this proposal would exempt county jail canteens and commissaries from sales tax. BAP officials also noted in 2014, the Department of Corrections reported having \$28 million in taxable sales at state prison canteens and commissaries. Finally, BAP officials stated sales at county jails and canteens are unknown; therefore, TSR would be reduced by an unknown amount.

Officials from the **Department of Conservation (MDC)** assume this proposal would have an unknown negative fiscal impact, but greater than \$100,000 on their organization. MDC officials noted their Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to the Missouri Constitution, and exempting sales made at a prison canteen or commissary from sales tax would reduce sales tax collected and revenue to the Conservation Sales Tax funds. MDC officials deferred to the Department of Revenue for an estimate of the fiscal impact for this proposal.

Officials from the **Department of Natural Resources (DNR)** assume this proposal would create a sales tax exemption for sales made at a prison canteen or commissary. DNR officials 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, and any additional sales and use tax exemption would reduce revenues to 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 for this proposal.

Officials from the **Department of Corrections (DOC)** stated this proposal would have no impact on their organization since this proposal would provide a sales tax exemption for sales made at county jails.

ASSUMPTION (continued)

Oversight notes this proposal would create a tax exemption for "all sales made at a canteen or commissary established under section 221.102" which statute refers to a canteen or commissary in a county jail.

Oversight has no information regarding sales made at such entities and for fiscal note purposes will indicate an unknown revenue loss for the General Revenue Fund, those other state funds which receive sales tax revenues, and for local governments.

Oversight is aware that sales tax revenues in the School District Trust Fund are distributed to local school districts according to a statutory formula along with other revenues in that fund, but will not include any potential impact on those distributions in this fiscal note.

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be greater than our office can sustain with our core budget. Therefore, we reserve 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.

Officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Department of Revenue** assume this proposal would have no impact on their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Revenue reduction</u> Sales Tax exemption Section 144.030	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue reduction</u> Sales Tax exemption Section 144.030	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
PARKS, AND SOIL AND WATER FUND			
<u>Revenue reduction</u> Sales Tax exemption Section 144.030	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - State Government</u> (Continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
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SCHOOL DISTRICT TRUST FUND

<u>Revenue reduction</u> Sales Tax exemption Section 144.030	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
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LOCAL GOVERNMENTS

<u>Revenue reduction</u> Sales Tax exemption Section 144.030	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

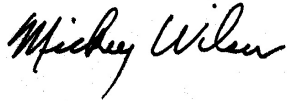
FISCAL DESCRIPTION

This proposal would create a sales tax exemption for sales made at a prison canteen or commissary.

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 Corrections
Department of Natural Resources
Department of Revenue



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