

LEGISLATIVE FISCAL OFFICE

Fiscal Note



Fiscal Note On: **HB 10** HLS 082ES 19
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: March 9, 2008 4:38 PM	Author: SMITH, JANE
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Accelerate Exclusion of Mach. & Equip. From Sales Tax	

TAX/SALES & USE OR -\$7,000,000 GF RV See Note Page 1 of 1
 Provides for an exclusion for manufacturing machinery and equipment (Item #1)

Current law provides a schedule of phase-out of the state sales & use tax on manufacturing machinery & equipment. The first three phases of that schedule had their fiscal effects in FY05 (5%), FY06 (19%), and FY07 (35%), while the current FY08 is experiencing the 54% phase. The schedule continues with FY09 (68%), FY10 (82%), and FY11, when a 100% exclusion from the tax for these items will be effective.

Proposed law shortens the phase-out schedule by two years, making the 100% exclusion of machinery & equipment from the state sales & use tax effective with FY09 rather than FY11.

Effective July 1, 2008.

EXPENDITURES	2008-09	2009-10	2010-11	2011-12	2012-13	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2008-09	2009-10	2010-11	2011-12	2012-13	5 -YEAR TOTAL
State Gen. Fd.	(\$7,000,000)	(\$4,000,000)	\$0	\$0	\$0	(\$11,000,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	(\$7,000,000)	(\$4,000,000)	\$0	\$0	\$0	(\$11,000,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The effects of the current phase-out schedule are already anticipated in the official revenue forecast which reduces state general fund revenue by the following amounts: \$11 million in FY09, \$14 million in FY10, and \$18 million in FY11, at which point machinery & equipment is fully phased out of the state tax base.

This bill will make the 100% phase-out effective for purchases made after June 30, 2008 resulting in a total loss of approximately \$18 million in FY09 and FY10 rather than the currently anticipated losses of \$11 million and \$14 million, respectively. Thus, under this bill the state general fund impact for FY09 is an additional reduction of \$7 million and for FY10 \$4 million. There is no effect on FY11 and subsequent years from this bill because current law would have fully phased out machinery & equipment from the tax base by FY11 anyway.

Senate Dual Referral Rules

13.5.1 >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

House

6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

H. Gordon Monk

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Legislative Fiscal Officer