

**LEGISLATIVE FISCAL OFFICE**

**Fiscal Note**



Fiscal Note On: **HB 15** HLS 082ES 25  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> March 9, 2008 4:46 PM	<b>Author:</b> LORUSSO
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Greg Albrecht
<b>Subject:</b> Accelerate Exclusion of Mach. & Equip. From Sales Tax	

TAX/SALES-USE-EXEMPT 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.

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

**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

House

13.5.1 >= \$500,000 Annual Fiscal Cost

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

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

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

*H. Gordon Monk*

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**Legislative Fiscal Officer**