

Manufacturing Inputs Sales Tax Exemption

ASSUMPTIONS:

1. Nearly all manufacturing inputs are already exempted from state and local sales tax under existing law, including: electricity (if the cost of electricity exceeds 10% of total production costs), chemicals and raw materials that become an ingredient or component part of a finished product, machinery and equipment used to establish new or expand existing manufacturing facilities and parts for such machinery. Until a court ruling on November 7, 2006, such items used for research and development in connection with manufacturing were also exempted from sales and use taxes.
2. For the purposes of this fiscal estimate, it is assumed that 85% of utilities purchased for use in manufacturing are already exempted under current state law and only 15% of such costs would be exempted by the legislation.
3. Because the "relative standard error of estimate" was relatively high for U.S. Census Bureau 2005 estimated data, the 2005 data were used only to determine the percentage of cost of materials representing fuel and electricity costs. Other estimates are based on more reliable 2002 Economic Census data.

ESTIMATED FISCAL IMPACT

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|----|----------------|--|
| \$ | 1,422,334,000 | Cost of purchased fuel and electricity 2005 (estimated by U.S. Census Bureau) |
| \$ | 61,271,390,000 | Total cost of materials 2005 (estimated by U.S. Census Bureau) |
| | 2.3% | Percentage of cost of materials representing fuel and electricity costs |
| \$ | 51,691,047,000 | Cost of materials for manufacturing operations in Missouri 2002 |
| | 2.3% | Times percentage representing fuel and electricity costs |
| \$ | 1,199,939,052 | Fuel and electricity costs of manufacturing operations in Missouri 2002 |
| | 15% | Percentage of utility costs not already exempted under Missouri law |
| \$ | 179,990,858 | Taxable sales attributable to utility costs that would be exempted under proposal - 2002 |
| | 112% | CPI adjustment (USDOL BLS data CPI-U, Midwest urban, Jan 2002 to Jan. 2007) |
| \$ | 201,589,761 | <i>Estimated taxable sales of utilities that would be exempted under proposal 2007</i> |

Estimated Impact of Utility Exemption:	
General Revenue	\$ 6,047,693
School District Trust	\$ 2,015,898
Conservation	\$ 251,987
Parks & Soils	\$ 201,590
TOTAL STATE IMPACT:	\$ 8,517,167
Cities (1%)	\$ 2,015,898
Counties (.5%)	\$ 1,007,949
TOTAL LOCAL IMPACT:	\$ 3,023,846

